



# BusinessTravelNews

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## 2014 BUSINESS TRAVEL BUYER'S



# HANDBOOK



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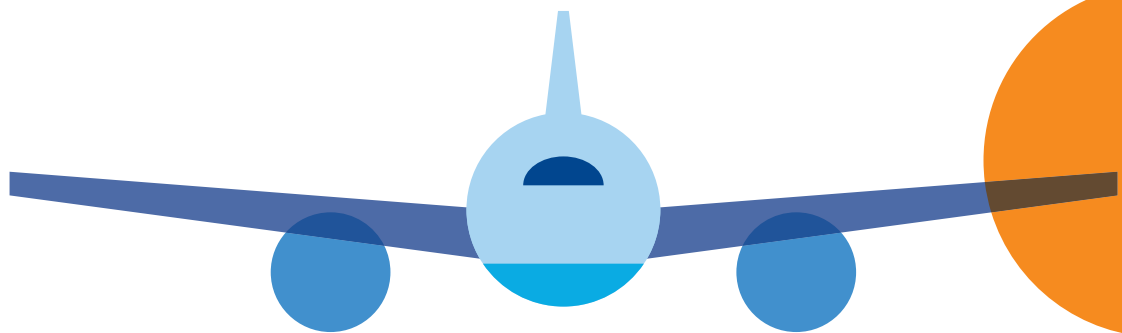




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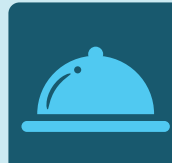
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# BUSINESS TRAVEL BUYER'S HANDBOOK 2014

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Global Brand Management - Extended Stay

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At JetBlue, we recognize that the needs of our corporate customers are constantly changing. The managed travel industry

must continue to adapt and evolve in order to remain relevant to today's business traveler. We work closely with our corporate partners to fully understand their needs and challenges, and collaborate with them to provide the most efficient solutions for their travel programs.

This year, in particular, is an exciting one for JetBlue. Based on Customer feedback, we have created "Mint" – JetBlue's new premium cabin. Mint will operate between JFK-LAX and JFK-SFO and will feature fully lie-flat seats, upgraded entertainment options, a tapas-style menu and much more. Also coming this year will be "Blue Inc," JetBlue's new booking tool for small to mid-size corporations.

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We're proud to support this year's Handbook and hope that you will find these ideas and best practices helpful in managing your corporate travel program.

Best Regards,

Dennis Corrigan  
Vice President  
Sales & Revenue Management



# Structuring A Managed Travel Program



## DEVELOPING A MANAGED TRAVEL PROGRAM IS A BALANCING ACT

between maintaining compliance and traveler satisfaction.

Corporate culture is a major factor in finding that balance, with some organizations leaning toward strict mandates and others offering more freedom to the traveler through looser guidelines. Regardless of the approach, a well-structured managed travel program should ensure both sensible spending and savings to the company and the security and well-being of an organization's travelers.

Meanwhile, much like the rise of self-booking tools, mobile technology is reshaping traveler expectations, and a successful managed travel program must take that into consideration.

Wherever that leads, what follows provides guidelines for evaluating and executing a managed travel program that works for your organization and its culture.

### I. GETTING STARTED

First, identify key stakeholders in the company and their needs and challenges to gain support and alignment for your strategies and program. Identify your company's governance board and develop an effective communication strategy for critical information. A managed travel program can be initiated by a decision at the corporate level, with support from regional and local offices. The organization also should involve senior management from other cross-functional departments, such as finance, information technology, human resources, security, risk and facilities management. Solicit input from road warriors and infrequent travelers, global and domestic travelers, travelers from different countries and travelers across generations. To ensure consistency and optimal impact, the program should, to the extent possible, be deployed consistently across operating companies and affiliates. Fundamental components of successful managed travel programs include a well-communicated formal policy, travel management company support and/or dedicated internal travel staff, negotiated supplier agreements, a management information system that provides pre- and post-trip data, an online booking tool, a program marketing and traveler education strategy and a preferred or required payment and expense process. Regular compliance reporting will help optimize results.

**A.** When planning a managed travel program, establish a vision, set goals, identify

travel purchasing process improvements and seek ways to enhance traveler safety and productivity. The program should work cohesively within the organization's culture and according to organizational goals. Ask the following questions regarding stakeholder groups:

1. Travelers: How can employees' travel experiences be made more productive? How can the travel program assist travelers in achieving their business objectives?
  2. Internal travel management team: How should performance be measured against business metrics like revenue and number of employees? How do we know if results are optimal? How does the program compare to those of peers?
  3. Organization: How can costs be reduced while enabling business results? What are the organization's growth markets and expansion plans, and how should resources be aligned to support them? What is the organization's hiring trend, and how might that affect travel costs? Can the program support or lead such other priorities as sustainability or risk management?
- B. Build a network of stakeholders**
1. Identify a senior-level champion within the organization whose endorsement will be useful for strategic communications and problem resolution.
  2. Coordinate as necessary with information technology, human resources, security, risk management, finance, facilities management, procurement, legal and other internal departments.
  3. Consider a stakeholder travel council of business unit leaders.
- C. Identify a data collection and reporting methodology.**
1. Determine sources of travel data. These include corporate charge card, expense reports, general ledger accounts, suppliers, third-party data consolidators and travel management companies.
  2. This data can be used for many purposes, both specific to travel



management and procurement, and to such wider organizational concerns as environmental impact and employee well-being.

- a. Measurable savings and cost avoidance
  - b. Identifying opportunities for savings and customer service
  - c. Internal benchmarks on spending levels and policy compliance
  - d. Supplier performance against defined contracts and service-level agreements
3. A centralized T&E system is one of the best sources for collecting data. Data derived from travel agencies at the point of sale is beneficial but incomplete; payment and expense data provide a better snapshot of total spend. Use both data sets to reconcile booked versus expensed information.
- D. Analyze how a travel policy could fit into the organization's culture and strategies and serve as the program's foundation. It should be easily accessible, easily understood and cognizant of local and global issues. It should be effectively incorporated into the booking process and including messaging throughout the end-to-end process. Some organizations update their travel policies annually, reflecting changes in the travel industry and within their own organization. Incorporating a meetings policy often is warranted. If the travel program includes international locations, be aware that addenda to the policy based on local culture or laws may be necessary. Travel management models include approaches that range from very strict to very flexible. They include:
1. **Mandated program.** The least flexible for travelers, this model is defined by tight policies with front-end controls and back-end reporting to ensure compliance and senior management support, as well as a well-integrated travel agency and/or online booking tool that travelers must use, leverage with suppliers, integration of payment and expense processes and tools, data-driven decisions, a demand management strategy and crisis management protocols.
  2. **Exception-based program.** Organizations using this approach have policies and controls, limited and defined managerial discretion, pre- and post-expense management, required use of a travel agency and/or online booking tool, leverage with suppliers, integration of payment and expense processes and tools, data-driven decisions, a demand management strategy and crisis management protocols.
  3. **Guidelines.** This option includes policies that define guidelines, managerial discretion post-expense, some use of an agency, supplier programs based on spend, limited technology with perhaps a low usage level for online booking tools, a defined form of payment and limited use of travel data.
  4. **Receipt-based T&E management.** This approach is characterized by managerial discretion post-expense, reimbursement tied to receipts, no preferred travel agency or formal supplier programs, limited technology without online bookings and little or no use of travel data.
  5. **An approach popularized as "open booking"** includes some characteristics of the models above (excluding the mandated program approach). In this evolving concept, business travelers are permitted to book outside designated channels—typically a preferred travel agency and/or online booking tool—perhaps on the conditions that they use a designated payment mechanism, keep total trip spending below prescribed levels and/or inform the travel department of their plans. Potential benefits include empowered (and likely more satisfied) travelers who are allowed to choose travel suppliers and directly control more aspects of their journey. Critics cite reduced control that could jeopardize data quality, purchasing leverage and duty-of-care requirements related to tracking travelers' whereabouts.
- E. Benchmark with organizations that have similar travel patterns and costs, especially firms in the same industry. Try to discover which practices

would best serve strategic values and goals. Resources include studies published by business travel publications, third-party consultancies and business travel associations.

- F. Consider whether other management resources can be allocated to support implementation and ongoing development. Successful travel procurement systems, for example, require the combination of subject matter experts and trained procurement professionals.
- G. Determine if IT infrastructure can accommodate travel reservation and management information tools. At minimum, ensure IT is engaged to approve and accommodate technology applications deployed within the program. IT should review the travel management company, online booking tool and other providers to ensure their systems meet the company's requirements concerning data privacy and security.
- H. Travel, meetings and procurement managers can create a comprehensive plan for managing meetings as part of the travel management program.
- I. Establish a travel risk management program. Never lose sight of employee well-being. Cost avoidance should not trump safety and security. Travel risk management services can be provided through TMCs or directly with specialist third parties.
  1. Be cognizant of duty-of-care laws and ensure travelers can easily contact the travel department, the designated travel agency or emergency support staff.
  2. Consider a medical assistance program to aid employees who require medical attention while traveling.
  3. Institute a real-time traveler tracking program to account for and contact employees when necessary.

## II. TMC OPTIONS

Many organizations rely on their travel management company as a key building block of their program. To the extent possible, some use a single TMC globally while others adopt a multi-agency approach on a regional level. Before making a decision, it is essential to establish organizational requirements and expectations. Data collection is a



critical element to consider, especially in programs making use of disparate sources. Also determine the degree of intended reliance on the TMC; the spectrum varies from basic call center operations to a complete outsourced model in which TMCs act as a strategic program advisor. Descriptions, advantages and potential pitfalls of single-source and multi-source agency programs follow:

**A. Single-source provider**, in which one travel management company handles all client requirements in all locations

**1. Advantages**

- a. Allows quick responses to market and company changes
- b. More effective management of business controls
- c. Single account management and administration may cut overhead costs.
- d. Concentrating bookings through one agency allows an organization more easily to move market share to meet contract goals (with airlines, hotels and other suppliers) or maximize cost savings, in some cases by using the agency's preferred suppliers if they align with program needs.
- e. Policy administration can be more consistent when common systems and procedures are used to book travel and report expenses.
- f. Installing and upgrading technology may be more efficient. Standardization of processes and services can be more effective when all agency operations are consolidated with one TMC.
- g. Many agencies can route calls from one work group or reservation center to another as backup or in emergencies, or actively network centers across multiple time zones to ensure more efficient and productive use of counselor staff.
- h. Dissemination of changes and updates may be more efficient.
- i. Online booking tool implementation and deployment can be more efficient through a central point of contact, which can facilitate training and support.

- j. Standardization of traveler profiles, management information and reporting may be accomplished more efficiently through one agency.

**2. Considerations**

- a. An agency's geographical coverage does not guarantee consistency. It can be a challenge to ensure uniform procedures are followed and quality maintained in a multi-branch organization. Some countries preclude multinational travel management companies from owning offices.
- b. A single agency, especially one handling a multinational account, may not employ a single management information system. Some agencies do not use common systems, nationally or internationally.
- c. An organization does not have to choose a "mega" agency for broad geographical coverage. (The mega agency category generally includes American Express, BCD Travel, Carlson Wagonlit Travel and Hogg Robinson Group. Some consider Expedia's Egencia and Omega World Travel as mega agencies.) Several other TMCs serve multinational accounts using networked automation, online technology, virtual operations and partner agencies.
- d. Local offices may challenge giving up familiar agency relationships, particularly those that share the local language.
- e. Determine the travelers' after-hours support requirements. If the TMC outsources or offshores these services, identify the locations, verify telephone operating capabilities and understand possible language and local barriers. Investigate billing procedures for after-hours call volume. Make sure the after-hours team has access to daily operation records and traveler profiles. Verify that data privacy controls are in place, especially with home-based and after-hours agents.
- f. Understand payment systems and how travel is expensed.

Centralized billing may not be possible in some countries. Privacy laws and financial regulations may preclude the use of the same payment system in other countries.

**B. Multi-source solution**, in which an organization uses two or more travel management companies.

**1. Advantages**

- a. Business units get a measure of autonomy.
- b. The local provider may have a better base of knowledge of local suppliers, nuances and culture.
- c. It can be easier to structure and manage agency relationships to meet needs of different business units, especially in a multinational program.
- d. Creates competition among agencies that can be used to leverage additional services.
- e. Reduces vulnerability by providing a backup for service or financial issues.
- f. Selecting a primary agency or third-party data management companies for consolidation of global spending and reservation data from multiple vendors is easily achievable.
- g. Use of minority- or woman-owned agencies can support the organization's diversity goals.

**2. Considerations**

- a. Use of multiple agencies requires coordination. Designating a lead agency may aid coordination and standardization.
- b. The technical challenges of merging management information from multiple sources require an investment of time and money, though new automation provided by agencies, suppliers and other third parties has eased the process. Third-party data aggregators are particularly well-suited to assist.
- c. If the organization uses a single corporate charge card for travel purchases, data can be gathered from the card supplier, which augment or even replace many elements of agency and supplier data. Although card data represents actual spend and therefore



may be more useful than agency booking data (especially as some travel bookings are made outside the preferred TMC), the best data may be available through the use of electronic expense reporting tools.

- d. Different TMCs may have conflicting preferred supplier agreements, which can impact any shared financial considerations. Be sure to understand these contractual arrangements.

### III. OPERATING CONFIGURATIONS

There are several formats for travel management operations. Organizations must choose whether to handle reservations on their premises or at an agency location, and determine whether to use their own employees, TMC staff or other third-party providers. Because fee-based pricing is the prevalent model, organizations can evaluate decisions about operating configurations in clear cost and service terms. Regardless of the approach, organizations can implement self-service, online booking tools for their travelers and/or permit them to book how and with which suppliers they prefer, depending on the degree of autonomy permitted.

When determining which agency type, configuration and specific provider to use, an organization should in its agency request for proposals ask for multiple configurations and pricing options and weigh several considerations. For example, what is the organization's travel volume and available internal resources? If an organization is considering a configuration that requires hiring agents and travel department support staff, are qualified people available in that market? What are prevailing wages and benefits? Can an online booking tool or other technology replace some of the headcount? Is the culture one of self-sufficiency or one that focuses on core businesses, in which ancillary services are outsourced? Do security considerations discourage nonemployees from being on the premises or require corporate control of travel decisions and information? How technologically savvy are employees? Do they have access to a corporate intranet travel site? What is the agency's business continuity plan,

and how can the service be scaled to support a major travel disruption? Does the organization want to own its tools and/or traveler profiles or use those of an agency or other third party? Are there any security or firewall issues to be considered?

Configurations to consider generally include the following:

- A. Full-service, off-premises agency (Though "brick-and-mortar" travel centers operated by agencies still exist, their numbers are declining due to home-based agent servicing made possible by technology.)
  - 1. Travelers or arrangers contact a travel agency or a company travel center to make reservations.
  - 2. The agency provides clients with management information, as well as analysis of and recommendations for program enhancements.
  - 3. The organization negotiates its own discount programs and works directly with suppliers, relies on the agency to be its liaison to suppliers and negotiate discounts, or any combination of the two.
  - 4. Advantages
    - a. Many common costs are variable and based solely upon use.
    - b. Overhead expenses and necessary headcount are minimized. Technology cost is spread among multiple customers.
    - c. Central reservation centers can be located outside of large urban areas, perhaps even outside the country, where overhead costs are lower. Some agents associated with a call center may work at home.
    - d. With sufficient volume, the organization might have a dedicated team of reservation agents; additional staff can be deployed during peak periods. In slow periods, dedicated staff can be deployed to other accounts, reducing labor costs.
  - 5. Considerations
    - a. A small account might not warrant a dedicated team or command special attention.
    - b. Agency staff may not be fully versed on the organization's policy and preferred suppliers.
    - c. As support team size increases,

inconsistencies could develop.

- d. Determine if online and offline booking support can be provided from a single location.

#### B. Dedicated agency branch

- 1. Provides a full-service, off-premises site, often near the corporate location. This can be the most costly TMC offsite configuration because it involves the exclusive use of facilities and personnel.
- 2. Assures the account exclusive local branch attention.
- 3. The agency branch is assigned a unique ARC number, which facilitates accounting and collection of travel management information.
- 4. Extra care must be extended to ensure adequate training and familiarity with industry changes.

#### C. Full-service, onsite agency branch

- 1. The agency operates a branch on the organization's premises, with agency employees providing service. A similar configuration known as a "rent-a-plate" also operates on the organization's premises and instead uses enterprise employees as travel agents.
- 2. Advantages
  - a. Exclusive attention and a perception among travelers of higher-touch and more responsive service, including easy access to travel agents.
  - b. Integration of the travel operation into the organization's communications network may be easier. An organization's interoffice mail system can be used for delivering documents that cannot be handled electronically.
  - c. The organization has closer control over agency service standards and policy application.
  - d. ARC assigns a separate ARC number to the agency location, facilitating accounting and the collection of travel management information. The ARC number belongs to the agency.
    - i. This provides tracking of revenue channels to help calculate a P&L for the operation.
    - ii. Hotel commissions and GDS segment revenue can be collected, resulting in a financial advantage.





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- e. Onsite agents can be trained to support the online booking tool, trip auditing, meetings management, expense management data consolidation and other tasks.
- 3. Considerations**
- a. Costs for facilities and communications are part of an organization's overhead. Most costs for the onsite program are fixed and are paid even if unused.
  - b. If the agency employs only one onsite agent, the organization must provide for backup or telephone rollover during busy times, illnesses and vacations.
    - i. With the emergence of more affordable telephony systems and reporting software, staffing should be associated with telephone call statistics. These statistics will help identify performance requirements for the expected numbers of calls per agent per day, taking into account acceptable hold times, transaction completion time, acceptable callback and abandon rates and other performance measurements.
    - ii. Staffing analysis, assessments and remedies should be outlined in the agency contract, along with performance measurements.
  - c. Travel agency employees working at a corporate site can feel isolated. Agents must be continually trained and onsite staff could be rotated to avoid complacency due to familiarity.
  - d. Employees may visit the onsite agent rather than use the phone or self-booking tool, which may increase transaction time and impact productivity.
  - e. Having an onsite could negatively impact self-booking policies.
  - f. Small onsites may be last to get technology tools, requiring additional effort to ensure support from the parent TMC.
  - g. System outages can be more challenging for TMC onsites, which are supported by a mix of TMC and company phone and data lines.
  - h. Consider enabling the onsite to serve as a fulfillment center for other countries, especially if those country operations have decent online booking rates. The cost of the exchange rate for airline tickets can be far less than foreign booking fees.
- D. Hybrid:** A dedicated offsite reservation team complemented by an onsite client service representative, VIP agent, ticket processor or account manager. The offsite team handles basic services, while onsite agents work with senior-level executives to troubleshoot, etc. Service levels are higher but costs are lower than at full-blown onsites.
- E. Online-originating agency** (commonly referred to as an online travel agency, or simply OTA): Notably Egencia, Orbitz for Business and Travelocity Business, these agencies are focused on low transaction fees for online booking services.
- F. ARC-accredited Corporate Travel Department (CTD)**
- 1. ARC's Corporate Travel Department program allows an organization to register as a seller of travel by providing direct access to ARC's central reporting and settlement processing systems. The CTD purchases travel services for its own employees, but cannot serve the general public. A CTD can outsource (usually to a travel management company) most, some or none of its travel functions. The only function it cannot outsource is the actual legal and fiduciary agreement between the CTD and ARC. The location of the CTD can be on the organization's premises or outsourced to an agency location, even in another U.S. state.
  - 2. The organization can determine its operational configuration, with or without the support of a TMC.
  - 3. The organization manages suppliers or acquires automation.
  - 4. Advantages
    - a. The organization retains all earned commissions, allowing for more transparency regarding transactional income.
    - b. The organization controls its data and has immediate access to information for reporting and integration into other corporate systems, such as the general ledger or enterprise system.
- c.** The organization can unbundle services to multiple suppliers, assuring best-in-class products and lower transaction costs. However, some savings could be offset because unbundling requires further management.
- d.** The organization can establish a direct relationship with a global distribution system (GDS) through which rebates are earned to offset program costs.
- 5. Considerations**
- a. A smaller organization might find it cannot earn as many incentives or commissions on its own as can a large agency. Also, hotel properties can be lax in paying commissions, requiring the CTD to apply a process similar to those used by TMC accounting departments to maximize collections.
  - b. As an ARC-appointed entity, a CTD's airline information is isolated and identifiable. This information is available to the airlines via ARC.
  - c. Unless the organization is in the travel business, a CTD is not a core business service and will require a unique set of in-house or outsourced skills.
  - d. There are costs associated with achieving and maintaining CTD status, including annual ARC fees, initial bond requirements and training or hiring a certified ARC specialist to qualify for the program. However, CTD revenue can fund expansion and other related projects.
- G. Centralized service location ARC appointment**
- 1. All travel booked by the travel reservation center is associated with the centralized service location ARC number, providing the organization and its suppliers with information about travel activity.
  - 2. Advantages
    - a. Allows the organization to segment activity in a service center
    - b. Hotel commissions are paid to the centralized service location.



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- c. Transactions can be isolated in the operation and supported like an onsite operation with dedicated staff.
- 3. Considerations
  - a. The centralized service location is reliant on the TMC for reporting, if the organization does not adopt an internal data aggregation and reporting process.
  - b. The centralized service location should ask the TMC for a copy of the ARC report submitted against its designation as the primary source document for reconciliation of activity.

#### IV. TRAVEL ARRANGEMENTS

- A. Historically, travel arrangements were handled by calling a travel agent on the telephone. Except for some VIP services, complex multi-sector or complicated international bookings, and in some service-oriented industries, this more expensive option is being replaced by online self-booking tools.
- B. Many organizations have implemented online booking tools, either by licensing them directly from the provider or using them through a TMC reseller. In both scenarios, transactions are fulfilled and supported by designated TMCs. The tools access inventory from global distribution systems and, in some cases, directly from suppliers. TMCs typically charge lower transaction fees for such bookings.
- C. Some companies continue to use email to place requests with their agencies. This allows bulk processing and reduces traveler time devoted to trip planning. It also provides a trail of requests and communications between the traveler and agent, which many think improves service, but also is less efficient in terms of workflow and productivity. This process can frustrate travelers because it does not provide instantaneous results.
- D. Interactive voice response is an alternative for certain types of transactions, particularly those with easily definable parameters. More cost-effective than an offline agent-assisted reservation, this time-consuming and often high-maintenance system may

- result in negative traveler feedback.
- E. An optimal configuration may include at the same call center offline agents and those assisting online transactions.

#### V. PROGRAM IMPLEMENTATION

- A. Identify individuals who will be responsible for tasks involved in the implementation process and key decision-makers who will support the project. Develop procedures and systems to support long-term expansion plans. Flexibility and scalability are key.
  - 1. Many organizations concentrate initial travel management efforts at headquarters or within a core group of operating units already linked by established lines of authority, communication and shared policies. In larger organizations, a travel or procurement manager often directs the program from headquarters, sometimes with the help of a travel committee or council of representatives from the operating units participating in the initiative.
  - 2. A cross-functional travel council can help broaden support, as its decisions are seen as supporting organizational goals, not just those of certain departments.
  - 3. Another option is a three-tiered committee, with one group composed of senior managers, a second of the employees who would implement the program and a third of procurement or travel-related personnel.
- B. Define implementation objectives and the parameters that will be used to quantify the level of success achieved early in the process, and ensure all parties are in alignment with those objectives and timelines.
- C. Draw up a detailed timeline for each step and specify who is responsible for each component.
- D. Seek a neutral project manager resource to drive the process and hold all parties accountable.
- E. Distribute a statement of senior management support encouraging or mandating the use of program components.
- F. Ensure you have full IT support and

access to the organization's intranet and communications tools.

- 1. Connections to HR and other database feeds will make data transfers to the TMC simpler. These capabilities also can be used to promote the program.
- 2. Dedicate intranet space to promote preferred supplier agreements, security alerts, news, policy changes and other program information.
- G. Secure support from senior management on the proposed travel policy.

#### VI. SUPPLIER SELECTION

Subsequent chapters provide greater detail on approaches to travel supplier selection and strategies for developing components of a managed travel program. The following provides a general overview:

- A. Study your enterprise's geography, cultural orientation and most-frequented destinations. Consider using an independent TMC's third-party survey tool as the baseline.
- B. Secure support from senior management on the proposed policy and how it will take into account such matters as acceptable classes of service, airfare types and hotel tiers. Consider formalizing the consequences when travelers do not select a preferred supplier.
- C. From past records of travel activity, identify specific suppliers frequently used by travelers in each destination, including hotels, ground transportation providers and airlines. Identify alternative suppliers that could support similar services.
- D. Compare supplier costs by reviewing corporate card and expense reports, consultant reports, industry benchmarking groups, peers and TMCs.
- E. Provide potential suppliers with a formal solicitation or informal request with projections of travel volume, total expenditures, service expectations and pricing guidelines. The more spend you can leverage, the better preferred pricing will be, especially if you can mandate a policy.
- F. If possible, consider negotiating with one supplier for multiple destinations. Leverage volume for hotel chain agreements and multi-city car rental agreements, and consider





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regional or global air alliance contracts, as well as smaller local airline agreements to ensure comprehensive route coverage. If a dominant carrier is unwilling to negotiate for a specific city pair, find an alternative—preferably one that can serve the organization's needs in other city pairs.

- G.** Require contracts with defined service-level agreements to facilitate performance measurement on a regularly scheduled basis (quarterly is preferable). Ensure all marketshare or revenue targets are achievable and constantly monitored for changes. Establishing viable expectations enables organizations to manage travel expenses creatively without sacrificing long-term supplier relationships.
- H.** Negotiate value-added services with your suppliers, including elite-level frequent-flyer status that may exempt your travelers from checked baggage and other various fees and charges for ancillaries. Consider the benefits of negotiating with hotels for complimentary Internet access, breakfast, parking and other services and amenities.

## VII. GLOBALIZATION

### A. Benefits

1. Globalization allows for consistent procedures, application of travel policy and provides clear accountability for service delivery.
2. It can provide a single system for consolidating data from diverse international operations.
3. Aggregated purchasing volume maximizes negotiating leverage globally and locally.
4. Standardization provides cost-management efficiencies.
5. Offering travel risk management services to employees worldwide helps an organization meet duty-of-care obligations.

### B. Early steps

1. Obtain senior management support and buy-in from other stakeholders. Clearly state the goal, an initial needs assessment and proper business case. Key messages likely will center on savings opportunities, process improvements, and employee satisfaction and safety. Market the concept by

emphasizing how each business unit will benefit.

### 2. Internal coordination

- a.** If possible, appoint a full-time project manager.
  - b.** Identify who manages travel and collect details on local and regional travel programs, including policies, TMC configurations, contracts and incumbent provider termination clauses.
  - c.** Assess your colleagues' opinions of the current travel program. Use surveys to obtain a profile of your organization's local spending and travel requirements.
  - d.** Request feedback from managers in HR, MIS, purchasing and accounting.
  - e.** Meet influential business heads, travel arrangers and travelers in the local countries who can be advocates for change.
  - f.** Establish a global and/or regional travel council. Ensure that each region and major country is represented.
  - g.** If volume warrants, designate a corporate travel manager in each location or business unit. Use local travel coordinators to communicate with countries that have no designated personnel assigned.
- 3.** Recognize the need to preclude a region, country, business unit or even individual departments. There may be particular needs that cannot be met by a global program, universal policy or preferred global suppliers. They might be resource-constrained, but you might simply need local input and support.

### C. Global corporate card or centralized global card administration

1. A corporate charge card program can yield detailed spending information. Be cognizant of privacy laws, banking regulations, customs and infrastructure that restrict data collection and dissemination. By consolidating multiple business units on a single contract, organizations can reduce charge card fees and foreign exchange fees, and boost rebates.
2. Considerations
  - a.** Merchant fees can fluctuate

by market.

- b.** In order to determine income and program overhead, the card issuer will base economic decisions on the number of cards issued, card spending in foreign currencies and speed of payment.
- c.** Ensure that corporate card vendors can meet such requirements as interfacing with corporate booking and expense tools. Note that agreements in certain countries may not permit them to provide specific services.
- d.** Focus on data delivery capabilities and ensure the program meets in-country needs for reporting and management.

### D. Data

1. Select a primary travel agency or third-party data management company to consolidate global spending and reservation data from multiple suppliers. Use of a third-party data consolidator can support multinational and multiple-agency programs.
2. Travel management companies vary in their ability and methodology for consolidating data from multiple countries.
3. Use the travel council or third-party data consolidators to collect data on existing corporate travel patterns and supplier relationships.
4. Ensure privacy, accuracy and timing of data will meet your requirements and needs.

### E. Policy

1. Consult with global human resources, corporate security, tax, legal, risk management and data privacy groups when constructing a global policy.
2. Cover the fundamentals but leave room for fine-tuning. Global policy should be flexible and measurable, but never ambiguous.
3. Work closely with local managers.
4. Don't expect to impose identical policies in all countries. Travel options, business considerations, local cultures, traveler entitlements and other factors can vary. Work with local managers and employees to draft travel policies that reflect local realities while supporting global travel program goals.




5. Policy variances may relate to airline class of service, hotel room types, per diems, airport transportation, expense reimbursement, car rental insurance, corporate aircraft and emergency procedures. Allow local policies to be more but not less strict than the global policy.
- F. Travel management company role. Using a single TMC for a group of countries within a region can offer the same advantages as worldwide TMC consolidation. No agency owns all locations worldwide and no agency has one single technology process. Point-of-sale issues, such as the local dominance of a particular global distribution system, exist regardless of the approach. Centralizing all European travel with one TMC may help reduce value-added tax charged on service fees, while consolidating to a single data feed.
  1. Central reservation center
    - a. All locations use a single site (or multiple, connected sites) for all reservations and ticketing. This allows a centralized, “follow-the-sun” service orientation.
  - b. Benefits
    - i. Eliminates supervisory, administrative and other overhead costs incurred by operating multiple sites
    - ii. Improves communications
    - iii. Consistent policy application and faster policy changes
    - iv. Easier establishment and measurement of performance standards
    - v. Usually first to get new technologies like automated booking and telephonic systems
    - vi. Volume can merit a dedicated reservations team
  2. Using independent TMCs joined in an international network to support multinational accounts is an option. Without common ownership, control, service and standardization, it may be difficult to jointly manage and coordinate the program.
- G. Implementation and follow-through
  1. Leverage worldwide travel volume in order to negotiate global or multi-country airline and ground transportation agreements, and

- develop a global preferred hotel program. Country- or region-specific contracts may be necessary.
2. Develop communication and change management plans with travel council and key suppliers to prepare senior management and employees for any service, policy and process revisions. Require dedicated resources from the TMC, including communications.
3. Leverage technology from larger units to benefit smaller ones, including self-booking tools, employee tracking, pre-approval systems and post-trip data tools.
4. Implement first in the largest spend countries and locations with the most travelers, or perhaps by region, where most of the volume is concentrated and benefits are easiest to quantify. Report benefits at locations with the highest spend and greatest

potential to prove early success.

5. Leverage best practices in service configurations, preferred supplier selection and technology products as program expands to additional regions and countries.
6. Meet regularly with the travel council to review program results, resolve issues and exchange ideas.
7. Meet regularly with the TMC. Review key performance indicators to measure performance.
8. Identify spending patterns that indicate negotiating opportunities and policy exceptions that need revision. Track noncompliance.
9. Solicit feedback from travelers and provide program updates.

*Prepared by Michael B. Baker with assistance from former Hewlett-Packard and Johnson & Johnson travel manager Maria Chevalier and DocuSign global travel and card manager Rick Wakida. *

## Meetings Management

Organizations increasingly are formalizing meetings management programs as a means to closely track and leverage spending, establish governance and align policies and procedures. Meetings programs often integrate with travel management programs in many ways, but meetings management is a distinct discipline. The strategic meetings management program (SMMP) approach is being used by a growing number of organizations to apply standards, create metrics, monitor spending and savings, and manage risk. The following is a quick glimpse of an SMMP's components and benefits:

- A. An SMMP can deliver savings—as much as 25 percent, according to some estimates—through several methods including:
  1. Increased visibility into meetings spend provides greater leverage in supplier negotiations
  2. Automation to streamline such processes as attendee management, budgeting and supplier sourcing
  3. Reduced cancellation and attrition fees via creation of standard terms and contracts applied organization-wide
  4. Greater control over spending through a separate meetings policy, endorsed by senior management that specifies purchasing rules
- B. A good SMMP creates centralized processes across an organization's meetings management spectrum. It can address numerous areas, notably including:
  1. Attendee management (registration and communication)
  2. Sourcing management (managing submission and review of supplier RFPs)
  3. Reporting on spend
  4. Spend management via budgeting rules
  5. Centralized payment
- C. A best-in-class SMMP is endorsed by senior executives to increase compliance among meeting planners, budget-holders and attendees. It also includes instruction on duty-of-care procedures to assist meetings attendees affected by emergencies.
- D. When considering meetings management technology, determine if and how those systems can link to various corporate and travel management systems.



# Establishing A Travel Policy



**IT'S BEEN SAID THAT A TRAVEL POLICY IS THE BACKBONE** of a managed travel program—strong enough to serve as a foundation for whatever an organization's travel philosophies may be, yet supple enough to accommodate a seemingly constant stream of industry changes. The rise of mobile technology, continued supplier consolidation and further economic changes are just some of the major trends that have challenged organizations to keep their policies up-to-date and comprehensive.

Often largely dependent on an organization's culture, policies today can be very strictly mandated, with even the specter of nonreimbursement on the table, to far more lenient. They might be as specific as to cover the precise ancillary services travelers may purchase with company dollars while in flight and the specific apps they may use when scheduling travel, or they may concern themselves less with the details and more with the broad strokes of cost control and duty of care.

The following is a guide to the considerations for and possibilities of developing a corporate travel policy.

## I. QUESTIONS TO ANSWER

### A. Who should write and update the policy?

1. A committee of people from various departments, including accounting, administration, finance, human resources, marketing, meetings, risk management, sales, strategic sourcing, training, and any department with a high frequency of travel. The committee should make recommendations to a policy writer for implementation and seek traveler input on the impact of policy decisions.
2. One person with knowledge of the travel industry should write the policy, but solicit input from various stakeholders including managers, travelers, and travel arrangers to improve the likelihood of senior management buy-in and support.
3. A high-ranking executive: a key department head, the chief financial officer, chief

executive officer or chairman. It is most effective to include a letter of support from C-level executives when communicating company travel policy.

4. Different people at different sites or divisions: For global or multinational policies, having representatives from all involved countries often encourages support and improves compliance.
  5. A combination: The travel manager writes the policy for approval by a committee and senior management.
- ### B. Who should be subject to policy?
1. Only employees at the location issuing the policy. This is the easiest policy to administer and measure for compliance, but differentiating travelers based on location can be difficult for companies seeking consistency.
  2. Employees at any domestic location, division or branch: This offers greater cost control, but could interfere with autonomy for individual units and locations.
  3. All employees worldwide, recognizing that local laws and/or cultural constraints could make it impractical or inadvisable to mandate adherence to various policies.
  4. The policy should stipulate that individual travelers and groups are subject to identical policies. Some companies, however, may want to cover groups, conferences and meetings under a separate policy.
  5. The policy should apply to anyone traveling on company expense. This includes consultants, job candidates, customers and subcontractors.
  6. Institute an umbrella policy for all employees that divisions individually can restrict, if necessary, but not relax.
- ### C. Should policy apply equally to all levels of employees?
1. Yes: This sends a message that management is serious about controlling costs.
  2. No: Special consideration should be employed for high-ranking



executives and others whose time is most valuable from a financial perspective and who have specific security issues. Some companies also may allow special handling of frequent flyers, usually defined as those traveling over a certain mileage threshold or spending a defined number of nights on the road during a 12-month period. It can be good for morale to recognize road warriors, but such programs require more administration and are subject to the risk that some travelers may take unnecessary trips.

3. To ensure business continuity in the event of a disaster, many companies restrict to no more than two or three the number of key executives who may travel together on a single aircraft, ground transport or ship. Additionally, an organization's CEO and CFO should never travel on one aircraft. Some corporations also restrict the number of employees at any organizational level on one aircraft.

**D. How forceful should the policy be?** This is a major company-culture consideration and completely subjective.

1. Wording can clarify that policies are mandates and that violators will be dealt with harshly, up to and including denial of reimbursement or termination. If this option is chosen, the policy specifically must address how to treat exceptions to policy to cover unplanned occurrences and the legal requirements of various jurisdictions. For companies subject to Sarbanes-Oxley or Sunshine Act regulations, policies presented as mandates should be enforced in strict accordance with written procedures and audited for compliance to avoid the risk that control procedures could be misleading, not measurable, subjective or inconsistently applied.
2. Present policies as guidelines, with explanations required when the guidelines are not followed. The word "should" implies more flexibility and greater traveler discretion than the word "will."
3. Present policies as standard procedures

carrying the official stamp of company approval, with the signature of the chief financial officer or chief executive officer.

4. Even unmanaged programs require a policy directing travelers to use their best judgment regarding travel. Such a policy should direct travelers to share travel information to accommodate duty-of-care requirements.
- E.** Should there be a multinational policy or should individual countries have separate policies? A comprehensive policy should be consistent, but also should consider cultural nuances. If travel expense or management information system data is available, then an umbrella policy with individual country addenda could be best. Companies often institute regional policies where there are common travel requirements and culture.
- F.** Because international travel is more expensive and demanding than domestic travel, should there be a separate policy covering it? International travel policies can differ, depending on the countries visited and the length of the business trip. Whether or not a separate travel policy has been established, the primary policy should cover such issues as passport and visa acquisition, health certificates, security and emergency services. This information should be readily available to all corporate travelers and provided by the travel management company or third-party security provider on a per-trip basis.

## II. MAKING TRAVEL ARRANGEMENTS

- A.** Should corporate travelers have choices regarding suppliers when making travel arrangements? If travelers have broad discretion, transactions may take longer and cost more, and less policy control can be exerted. Reservationists and online booking tools are geared toward selecting services compatible with policy and preferred supplier relationships. Check with your legal department regarding liability before limiting options to one preferred supplier.

**B.** How should employees make their travel arrangements?

1. Through a designated travel management company. Many companies consolidate with one TMC. This provides a cost-control mechanism because policy is monitored and interpreted more consistently. It is easier to manage the safety and security aspects of policy by using a single provider to produce integrated management reports, which also can be used in negotiating discounts with suppliers.
2. Through online booking systems, which can be designed to encourage the use of preferred suppliers by highlighting them or by offering travelers no other options. If using a corporate booking tool, consider prohibiting use of public websites to avoid intentional bypass of booking policies and instead encourage access to preferred, negotiated pricing from suppliers.
3. Through company travel agents who make arrangements using corporate-approved channels.
4. Through any mechanism. A very small number of companies have enacted policies allowing travelers to book any supplier through any distribution channel, as long as travel costs remain below price caps and travel data is retained.
5. Through supplier websites. Some policies allow travelers to book through such websites if ticket prices are less than a certain fixed cost. However, this can compromise the company's ability to track travelers and spending data accurately.
6. A policy may require anyone planning a meeting with a defined number of attending employees (often 10 or more), that requires a contract and/or exceeds certain budget thresholds to report the event to the company's meetings or travel department or travel management company so that the company can take advantage of negotiated group discounts and ensure the proper application of the travel policy as well as appropriate legal review of contracts.



7. Policy should encourage travelers who take at least one trip a year to complete a profile to be included online and in the travel management company's global distribution system. Integration between human resources, finance and other organizational systems is optimal. Some corporations have established an electronic data feed from the human resources department to the travel management company to maintain profiles. The travel management company should provide tools to alert travelers of expiring credit cards, passports and visa information.
- C. When should trips be planned?
  1. In advance: Developing precise rules may be challenging, but policies that direct air booking as soon as travelers know a trip will occur can improve chances of obtaining lower advance purchase airfares and guaranteeing seat availability, although studies have shown that it is possible to book too far in advance, with more than two months ahead yielding higher rates.
  2. Consider taking advantage of advance-purchase airfares by requiring approval of a supervisor or other manager for booking within seven or 14 days of departure.
  3. Some companies send automated notifications to travelers and their managers indicating how much money the traveler could have saved by booking a trip in advance.
  4. Increasingly, companies ask employees at the time of booking to consider such travel alternatives as remote conferencing, particularly for non-client facing travel, to help curb unnecessary trips.
- D. Is pre-approval by an employee's supervisor necessary?
  1. Yes: Requiring approval enables a supervisor to rule that a particular trip is unnecessary or too expensive. However, for an online reservation, beware that requiring pre-approval normally may qualify as a touched booking, potentially adding cost to each transaction.
  2. No: Requiring pre-trip approval can create bottlenecks if managers are slow to process authorization.
3. Some companies compromise by relying on pre-trip notifications that alert managers that a trip has been booked, but do not require approval. Some require pre-trip approval only for transcontinental or other high-cost travel.
4. Others rely on pre-trip exception reports from their travel management company that list travelers who have made reservations out of policy, forcing individuals to apply business reasons for exceptions in real time. Providing monthly or quarterly exception reports by department can highlight problem areas. Often, the simple existence of such reports improves compliance.
5. Some companies employ the use of verbal approval from the traveler's managers prior to booking.
6. Approval should not be obtained from so high up the corporate ladder that the most senior executives are spending valuable time on administrative details.
- E. What is the procedure for making emergency travel plans during hours when the travel management company is not open, and for changing plans en route? Many travel management companies have 24-hour service or a tie-in to such services. These services frequently have additional surcharges and only should be used during non-business hours, and only for emergencies or when doing so will avoid larger cancellation penalties. Use of an online booking tool can provide round-the-clock access, but guidelines given to travelers should indicate clearly whether 24/7 ticket fulfillment is available.
- F. The policy may encourage or require travelers to adjust schedules to minimize costs. These adjustments may include arranging day trips to avoid hotel costs and making advance bookings to secure less-expensive airfares. Alternative routing and pricing options should be provided to encourage travelers to consider cost-saving opportunities, with appropriate exception codes recorded if travelers decline reasonable alternatives. Such policies need to balance cost savings with work productivity, convenience and traveler morale.

### III. AIR TRAVEL POLICIES

- A. What air travel parameters should policy include?
  1. Use preferred airlines on applicable city pairs where price-competitive.
  2. Most companies offer coach as the preferred domestic class of service.
  3. Some companies require travelers to choose the "lowest logical," "lowest available" or "lowest applicable" airfare, or use some other phrase that describes the company's view of appropriate airfare pricing levels. Define precisely what is meant. The definition may differ for domestic and international travel. Because fare availability changes so often, many companies prefer to stipulate coach/economy class as the guiding principle. Create a comprehensive definition, detailing conditions or savings levels at which the following are required, encouraged, permitted or prohibited:
    - a. Policies often stipulate finding the lowest fare within a defined travel window—typically two hours—although some companies opt for larger windows.
    - b. The chance that the trip will be canceled or changed to a different date must be balanced against achievable savings from using nonrefundable fares. Usually, nonrefundable airfares save money. Travelers should be reminded to keep track of unused nonrefundable tickets, which often can be used for other trips after paying a change fee. The travel management company also should have an automated system for tracking unused tickets for business and group travel.
    - c. For indirect routings, such as connections or flights with stops, balance increased travel time and the risk of delays against potential savings. Most policies do not require travelers to change planes unless savings are significant. Indicate a minimum dollar figure, typically savings of at least \$100 per segment and no more than two hours total elapsed time.



- d. Alternate airports often require traveling greater distances. Be mindful of inconvenience and the total cost of the trip, including ground transportation, when alternate airports are involved.
- 4. Some policies stipulate that senior managers may fly in premium economy, business or first class, or that they may fly in premium class only if a discount coach seat is not available. Some airlines offer premium-economy, business-class or executive-class seating as cheaper alternatives to first class. Usage of airline upgrades should be defined.
- 5. The policy may state conditions under which the company will pay for employees to upgrade to first, business or premium-economy class, including:
  - a. On flights of a minimum mileage or time. While many companies use six or seven hours of flight time as their threshold, mileage is a better parameter, as setting a time window encourages travelers to manipulate schedules, such as selecting longer connection times, to be eligible for an upgrade.
  - b. On international flights. Will this include U.S.-originating flights to Canada, the Caribbean, Central America and/or Mexico?
  - c. When employees are traveling with a client
  - d. For employees who have physical disabilities
  - e. For employees expected to work a full day on arrival
  - f. When employees are willing to pay the difference
  - g. For frequent international travelers after their second or third international trip within a defined period of time
- 6. In global policies, distinguish between such policy terms as international, domestic, transcontinental, stateside and foreign air travel. Be aware that the terms coach and business are not universal.
- B. If the company or its travel management company has negotiated discounts with preferred airlines, is use of such airlines superior to other options?
  - 1. The company may need to attain a certain volume or citypair market share to maintain preferred fares. This motivation must be balanced against opportunities to secure lower fares for individual trips.
  - 2. The company might have arranged for group airfares, usually for at least 10 people traveling to the same destination on the same day, with various restrictions attached. The policy should state that such fares should be used whenever applicable.
  - 3. The policy may establish preferred supplier relationships with multiple airlines or airline alliances to cover multiple city pairs. This strategy can reduce connections.
- C. Other factors to consider
  - 1. Whether to allow aircraft to be chartered, under what circumstances and with whose approval: Charters might be appropriate when there is no other convenient way to get a group to a certain place at a certain time. Insurance and security departments should be involved in making this decision.
  - 2. If the company will pay for airline club memberships or premium-services memberships for certain employees.
  - 3. Any guidance on the use of loyalty program benefits earned during business travel. While most companies allow travelers to keep earned benefits, others encourage their use to offset business expenses.
  - 4. Whether the company will pay for checked-baggage or luggage-weight overages, and under what circumstances. Most carriers charge some passengers fees to check some luggage when traveling coach.
  - 5. Whether the company will pay for ancillary service options, such as preferred seating, advance boarding, inflight Internet and many others
  - 6. Whether the company will pay for insurance beyond what is provided by airlines, company insurance policies and company charge cards. Most companies do not pay for additional insurance unless a traveler is transporting company goods.
- 7. A statement that employees should not travel to countries for which the U.S. Department of State or the World Health Organization has issued a travel warning or advisory. The company should provide such advisories to its travelers who have booked international trips as a matter of course.
- 8. Instructions for handling unused airline tickets for business and group travel
- 9. Who can fly in company-owned or company-leased aircraft and under what circumstances and procedures?
- 10. A statement about the company's procedure for denied boarding compensation. Clarify ownership of the voucher and/or monies and whether travelers can volunteer for compensation when flights are overbooked.
- 11. Alternatives to air travel, such as rail or personal or rental cars for trips within a certain distance. Car costs may be capped by expense or distance driven.
- 12. Employees who are licensed pilots should not be allowed to fly passengers or themselves on business trips in their own or other aircraft.
- 13. Exceptions to using the travel management company, such as low-fare carriers' websites and direct connections. Some policies state that for tickets that cost less than a certain amount of dollars, travelers can book through those websites. However, this compromises the company's ability to manage spending, negotiate discount agreements with airlines and accurately track travelers.

#### IV. LODGING POLICIES

- A. How should employees book hotel rooms?
  - 1. Through a designated agency or online booking tool: This funnels all bookings through a single source, enhancing the ability to enforce policy and capture booking data for negotiations and safety.



This also ensures that the negotiated corporate or travel management company rate is used and the correct corporate identification numbers are applied to ensure that room nights are credited toward volume agreements.

2. Many policies recommend that travelers neither call hotels directly nor use public websites to book hotel stays. On occasion, this type of direct booking can result in lower rates. However, it also:
  - a. Provides no booking information or data consolidation
  - b. Undermines negotiated corporate rate agreements by diluting marketshare figures, unless a tracking mechanism is established up front
  - c. Reduces commission income
  - d. Reduces the ability to locate employees en route
3. The policy should state what travelers should do if they find rates lower than those of the travel management company or booking tool.
- B. How much should employees pay for hotel rooms?
  1. Hotels used by company employees should be, for example, "moderately priced." This should be defined to travelers by brand or hotel tier to show the company's view of what is appropriate to spend.
  2. Hotel rates should be below certain defined levels.
    - a. This establishes a cap on expenses. However, it could encourage employees to spend up to their limit.
    - b. Policies may address vast disparities in rates by setting different levels for each city.
    - c. Remember that using too many hotels will have an impact on performance in contracts.
  3. Travelers can receive a maximum daily amount or spending guidelines for hotels, meals and incidentals, depending on the cost of doing business in each city.
    - a. Per diems can be based on the firm's historical expenses or published indices prepared by the federal government, *Busi-*

*ness Travel News* in its 2014 Corporate Travel Index or consulting firms.

- b. Per diems ordinarily are used only for travelers' personal expenses, such as hotel, food and ground transportation, not business entertainment expenses. These standards may vary by country.
4. Different hotel rates or categories of property are set for different lengths of stay, such as limited-service hotels for one-night stays and extended stay hotels for more than seven nights.



5. Establish a policy regarding the use of room categories above standard, such as business-class rooms, executive floors, concierge levels and suites.
- C. What other limits should be placed on hotel usage
  1. Encourage or mandate the use of hotels with which the company has negotiated rates or with which the company's travel management company has preferred rates. Many companies and travel management companies have extensive hotel directories but may mandate the use of particular hotels in a given city. Directions to use preferred hotels should stipulate that stays should be at the company-negotiated rate.
  2. Outline the circumstances under which travelers do not have to use preferred hotels, for example, when attending a meeting or conference, when preferred properties exceed a given distance from the business destination, or when traveling with a client.

D. Under what circumstances can travelers stay in more expensive properties or rooms than ordinarily are permitted?

1. Companies may offer high-ranking executives the option of staying in luxury hotels or on executive floors.
2. Better accommodations or a suite might be appropriate if a traveler has to entertain clients or meet with staff.
3. If the only hotels that conform to policy are too far from where the traveler's business will take place, more expensive, nearby hotels may be warranted.
- E. Other factors to consider
  1. Whether to charge employees for no-show billings if they neglect to cancel a reservation. Policy may instruct travelers who cancel a reservation to record a cancellation number or the name of the hotel employee taking the cancellation to help resolve billing disputes. Where possible, corporate travelers should cancel through the travel management company for a better paper trail.
  2. Whether charges for personal items, such as in-room movies, mini-bar purchases and laundry expenses are reimbursable
  3. Whether room service charges are reimbursable
  4. Whether tips to personnel are reimbursable and, if so, how much to tip
  5. When stays are for a week or longer, whether employees should consider weekly rates or extended stay properties.
  6. If the company has corporate apartments and/or hotel room blocks in a city, a policy may suggest or mandate their use.
  7. For cases in which a spouse or other family member accompanies the corporate traveler, travel policy may specify that the traveler will be reimbursed only for a single room rate, or a specified percentage of the rate actually charged.
  8. Whether appreciation gifts—offered when free lodging is provided by another employee, a business associate or friend—are permitted



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9. Consider avoiding properties with external guest room entrances and conduct security audits.
10. Whether hotel reward points are to be individually retained by the individual or transferred to the organization
11. Whether to permit travelers to use Airbnb or similar tools to book alternate accommodations.

## V. GROUND TRANSPORTATION POLICIES

**A.** In what circumstances might policy suggest or require that rental cars be used or not used?

1. Use a rental car when:
  - a. It is less expensive than the use of a personal automobile, depending on the cost of mileage reimbursement and the rental car. Provide the current mileage allowance for expense purposes.
  - b. Less-expensive means would detract from the efficient conduct of a traveler's business objectives.
2. Do not use when:
  - a. Transportation is needed only between the airport and the hotel, and a shuttle service is available or a taxi or car service is less expensive
  - b. A company-owned or leased automobile is available
  - c. Employees are traveling to an unfamiliar area, especially at night
  - d. Employees are traveling to a foreign country, especially if there are concerns about road conditions, safety or special licensing needs

**B.** Which car rental suppliers should a company traveler use?

1. Many policies stipulate that travelers should use a single supplier or a limited number of suppliers with which the company or travel management company has negotiated rates.
2. When necessary, secondary suppliers—contracted to provide service in circumstances and locations where the designated supplier cannot—may be used.
3. In cases where a company has multiple suppliers, employees may

be directed to use specific ones in specific cities.

**C.** Which car size or class should be used?

1. Compact cars provide the greatest savings, but they also offer less comfort and capacity.
2. Intermediate-size cars give travelers reasonable comfort at a reasonable cost. Most policies allow for the use of a midsize or intermediate-size car.
3. Full-size or luxury cars often are restricted to company officials of a certain designated rank, groups of two or more traveling together, those hosting clients or those of a certain height or size.
4. Hybrid cars can bolster corporate social responsibility initiatives, but rental rates can be much higher than those of other cars and availability may be difficult to ensure.
5. Varying sizes of cars: Depending on how many employees and clients are traveling together, or what equipment or supplies a traveler is transporting, corporate policy may specify that employees traveling together share rental cars.

**D.** How should car rentals be booked?

Unless a car is needed on an emergency or last-minute basis, bookings through the online booking tool or a designated agency offer the best guarantee that the negotiated corporate rates will be booked, received and credited toward a volume agreement.

**E.** Should you accept an offer of damage waiver coverage?

1. No. If the company is self-insured, it receives free collision damage waivers under its contracts with car rental suppliers or is protected by company insurance that is provided under a corporate charge card program. The policy may specify that employees will not be reimbursed for purchasing such coverage.
2. Yes, if no other coverage applies. A company might not want to expose itself to the risk of paying for rental car damages or the paperwork involved.
3. No, for domestic transportation; yes, in foreign countries, due to

differences in insurance laws and other government regulations

**F.** Should travelers buy other insurance products, such as personal accident insurance, supplemental liability insurance and personal effects coverage? Most companies do not require this, as they already have insurance that provides such coverage for employees. If not, they are not likely to reimburse employees for buying them. The policy may state that employees may purchase additional coverage at their own expense.

**G.** What should the traveler do following an accident?

1. Notify local authorities.
2. Notify the rental car supplier.
3. If the rental car is damaged, notify the company insurance department of the details of the accident and instruct the supplier to submit a bill for repairs to the same department, which will handle settlement.
4. Notify the travel department.
5. Notify the human resources and internal security departments

**H.** Other factors to consider

1. Encourage travelers to refill the gas tank of the rental car whenever possible, as car rental companies charge a premium to refill it. Some car rental vendors allow payment of an upfront fee for fuel, eliminating refueling charges.
2. Ask corporate travelers to drop off the rental car at the location it was picked up to avoid costly one-way drop-off charges.
3. Travelers should be instructed to inspect the rental car for damages and make a record of their observations to protect against the car rental company making unwarranted claims for damages.
4. Consider for which ancillary service fees, including those for global positioning systems and expedited toll passage programs, the company will reimburse. As many mobile devices now have built-in GPS systems, organizations should consider whether that expense is appropriate. Travelers should be advised of the cost of expedited toll passage programs and may consider paying tolls with cash, where available.



**I. Chauffeured transportation**

1. Policy may address the circumstances in which use of limousines or black cars are authorized.
  - a. When travel time is used for business by a number of travelers
  - b. When per-person cost is close to that of other forms of ground transportation
  - c. When travelers are arriving at an unfamiliar destination or foreign country
  - d. When travelers are arriving at their destination at night.
  - e. When employees are required to work late and need safe transportation home.
2. Most limousines charge by car or by the hour, not by the number of passengers. A sedan service for airport transfers to a company's location can be less expensive and more convenient than a car rental or taxi.

**J. Other items that may be addressed under ground transportation:**

1. Procedures, policies and restrictions for use of taxis, including receipt requirements and tipping
2. Parking expenses and tolls
3. Train and bus travel
4. Traffic and parking tickets
5. Whether to permit travelers use of Uber and similar on-demand ground transportation services.
6. Whether to allow travelers to use their personal vehicles and/or a car-sharing service for company travel.

**VI. INCIDENTALS, MEALS AND ENTERTAINMENT****A. How much can employees spend on personal meals and incidentals?**

1. Up to a set per diem amount, which may vary by city or region of a country. This provides cost control and eliminates the administrative costs associated with reviewing receipts.
2. A fixed amount of expenditure per meal beyond which the company will not reimburse travelers.
  - a. Individual limits may be set on allowable expenditures for breakfast, lunch and dinner.
  - b. A trip's particular spending

limit may be adjusted based on whether a free meal is served inflight, if breakfast is included in a hotel stay or if meals are provided at a conference or event.

3. Allowable expenditures may vary by level of employee.
4. Analyze current average meal spending within your company before establishing standard rates. If you set the allowable amount too high, you could expose your company to higher costs.

**B. Specify what meal expenses may not be reimbursable.**

1. Expenses for meals purchased when travel does not involve an overnight stay
2. Expenses for entertainment
3. Between-meal snacks
4. Hotel room service
5. Alcoholic beverages with meals

**C. Specify that the highest-ranking employee present should pay for a meal at a restaurant or other establishment with more than one employee present****D. State guidelines for personal and business entertainment and meal spending.**

1. The meal or entertainment must be for a legitimate business purpose. Specify that submitting the receipt listing each individual charge is required. This is crucial for expenses to be eligible for tax deductibility.
2. Policy may state that the average per-person cost of a business meal should not exceed a defined limit.
3. Only certain categories of employees may entertain business guests, others may need approval.
4. In accordance with U.S. Internal Revenue Service regulations and Sarbanes-Oxley processes, employees should be prepared to furnish names, titles and company affiliations of each person present at the meal and/or entertainment event, the business purpose served and business topics discussed, the name and location of the establishment where the meal and/or event took place and the exact amount of the expense. For entertainment events, the specific time that the business took

place—such as before, during or after the event—should be provided.

5. While lunch expenses at an employee's place of work ordinarily are not reimbursable, if the employee has a business luncheon guest, the expenses of both may be reimbursable.
6. Entertainment expenses, such as golf or tennis fees, may be reimbursable. Certain activities may be listed as unsuitable for the company to sponsor.
7. The policy may list circumstances under which employees may be reimbursed for hosting business meals or entertainment in their homes.

**E. Specify reimbursable incidental expenses and detail the parameters required for reimbursement.**

1. Dry cleaning and laundry expenses
2. Foreign currency conversion fees
3. Mobile phone rentals for international travel
4. Internet access fees
5. Passport, visa and medical inoculation costs
6. Business center charges, including facsimile and copy expenses
7. Mini-bar charges
8. Health club/fitness center fees
9. Spa services
10. In-room movies
11. Additional flight or rental car insurance coverage
12. Fines assessed for any traffic or parking violations
13. Automated teller machines and cash advance fees
14. Lost, stolen or damaged traveler personal property
15. Package shipping charges

**F. Other factors to consider**

1. Whether the company applies different per diem levels apply to different groups or levels of employees
2. A policy on tipping
3. Conditions under which meal expenses are reimbursable when an employee works early or late at the office
4. Whether to require that expense reports break down separate expenses for breakfast, lunch and dinner



5. Types of business events that are not reimbursable: For instance, a birthday celebration may not be reimbursable, but a dinner at which company employees receive an award may be reimbursable.
6. When meal expenses of an employee's spouse or other guests are considered reimbursable
7. When liquor is reimbursable
8. Include input from human resources, legal and tax departments.

## VII. PAYMENT METHODS

- A. How should employees pay for travel and entertainment expenditures?
  1. With a company-sponsored charge card whenever possible: This allows the company to build a travel expense database, which can help form a comprehensive picture of your company's travel patterns and volume for negotiations. It also provides a mechanism to detect instances of exception to policy, and may provide the company with financial incentives
  2. With employees' personal charge cards. This is not a recommended practice. This method eliminates the time and some costs of administering a corporate card program, but hinders efforts to maximize rebates and create a complete database of expenses.
  3. With reloadable debit cards, which can be preloaded with selected amounts. Spending can be controlled by allowing only certain types of expenses. Debit cards can be deactivated if stolen or lost or when the traveler returns.
  4. With cash or travelers' checks. This is not a recommended practice. Automated teller machines and merchants that accept charge cards are plentiful; as such, cash advances almost completely have disappeared. In rare instances, companies still may use them for travel to developing countries or for other exceptions.
  5. With a centrally billed account for air and rail purchases, or within 60 days.
  6. In defined cases, via direct billing arrangements with preferred suppliers for specific lodging and

- ground transportation providers.
- B. How are corporate charge card expenses to be billed?
  1. Direct, individual billing to employee cardholders: The employee shares liability with the company. This puts the initial responsibility of auditing and paying card charges on employees, reducing the administrative burden on the company and providing an inducement for travelers to file timely reports.
  2. Centralized billing to the corporation: The company has complete



liability. Float is enhanced and the chance for delinquency is reduced if the company pays charge card bills when they arrive, rather than reimbursing corporate travelers who turn in expense reports sooner.

3. Central pay/direct individual bill: The company has liability. The corporation pays all bills centrally, but the company also has card vendors send individual bills directly to employees, so that they can review all charges for accuracy.
4. Centralized billing of airline expenses and direct, individual billing to employees for all other types of expenditures: The advantages of individual billing still apply and significant float is achieved. This removes responsibility for the largest share of charges from individual employees.
5. Corporate card payment systems and available services vary by country. For example, individual

payment and liability is not always permitted in every country—including Russia and China—on corporate cards. Also consider cards billed in local currency, foreign language billing statements, automated teller machine fees, card fees, collision damage waiver insurance, etc.

- C. Which employees should receive corporate cards?
  1. Those who travel a minimum number of times per year
  2. Those who regularly incur travel expenses
  3. Every employee
- D. Corporate charge cards should never be used to pay for employees' personal expenses, because such use offers the potential for corporate liability and skews spending data.
- E. Determine at what level senior executives should receive executive, VIP, gold or platinum corporate cards.
- F. Advise travelers on procedures for how to obtain a card and what to do in the event of a lost or stolen card.

## VIII. EXPENSE REPORTING AND REIMBURSEMENT

- A. What are the requirements for attaching receipts to expense reports?
  1. Many companies specify that all air, car rental and hotel receipts be provided and/or expenses exceeding a certain threshold, often \$25, require an original receipt.
  2. Some companies have raised their thresholds to match U.S. Internal Revenue Service regulations requiring receipts only for expenses of \$75 or more.
- B. Which receipts are acceptable?
  1. Corporate policy may specify types of receipts for different services, such as an itinerary copy or electronic receipt and boarding pass for air, hotel folio plus proof of payment and the receipt or corporate card charge record for car rental.
  2. The U.S. Internal Revenue Service accepts electronic data from charge card suppliers in lieu of paper receipts if appropriate detail is included. Some card companies and hotel chains are not able to provide full detail on hotel receipts.



**C. Other reimbursement requirements to consider**

1. The travel management company itinerary, which should identify:
  - a. Hotel: approved or non-approved
  - b. Lowest hotel rate available and booked based on travel policy
  - c. Form of payment: Card type and last four digits
  - d. Booking origination: telephonic or electronic process
  - e. Whether the contracted travel management company handled the reservation process
2. For expenses incurred in a foreign currency, specify the acceptable conversion rate used on the report.
  - a. The rate supported by a currency exchange receipt
  - b. The rate reflected on the credit card statement for charges made during the same trip
  - c. The exchange rate for the day of the transaction from a reputable published or online source
- D. When must travelers file their expense reports?**
  1. As soon as possible after the completion of each trip, often within seven days of the completion of the trip
  2. For frequent travelers, periodically— weekly, biweekly or monthly
  3. Immediately upon the purchase of an advance purchase ticket, or upon receipt of the statement
  4. The company may specify that employees will not be reimbursed if they do not file expense reports on time.
- E. How should employees file their expense reports?**
  1. Request all employees be prepared to disclose when, how and why expenditures were incurred and list on the expense report dates, locations visited, names and titles of persons visited and the purpose of the business trip.
  2. If an automated expense reporting system is available, the policy should state that use of the system is mandatory for all travelers.
  3. Require separate expense reports for each trip.
- F. Establish whether the traveler will be reimbursed if the mandated travel**

management company or online booking system is not used.

**IX. MISCELLANEOUS**

- A. Communicating a travel policy**
  1. Via the corporate intranet or travel website where applicable, supported by a written document
  2. In a user-friendly summary document
  3. In multiple documents covering different modes and classes of travel
  4. Via e-mail and newsletters
  5. During employee orientation
  6. Travel policy seminars
  7. In an employee handbook, along with other corporate policy guidelines
  8. Through company social media networks
- B. Consider requiring employees to affirm that they have read the travel policy.**
- C. Policy may state specifically what steps will be taken when employees violate policy.**
  1. Informing supervisors
  2. Reminders, copied to the manager
  3. Requiring more pre-trip authorizations or post-trip audits
  4. Reprimand
  5. Placing documentation in employees' personnel files
  6. Delay or denial of reimbursement
  7. At companies where air travel is billed centrally, a requirement that violators must fund their trips and then they seek reimbursement
  8. Noncompliant travelers must get an exception approval from the chief financial officer, chief executive officer or division head to be reimbursed.
  9. In extreme cases or for repeat offenders, termination
- D. Other items that may be addressed in the travel policy**
  1. A statement of scope, goals and purpose from the chief executive officer that describes the advantages to the corporation of supporting preferred travel vendors
  2. A precise rundown of which company managers and officials are responsible for enforcing aspects of policy
  3. The role of mobile technology in

the travel program

- a. Whether to permit travel apps on company-provided smartphones, and whether to restrict the use of traveler-downloaded travel apps
- b. Whether to permit booking of business travel using traveler-owned tablets or smartphones
4. Whether to allow travelers to review or share their experiences corporate travel suppliers on social media platforms and/or public websites
5. How, when and how much should be charged to clients for travel, if applicable. This amount can vary by client.
6. Instructions on what travelers should do in the event of medical and other emergencies, especially when traveling overseas
7. Procedures and requirements for borrowing company-owned computer equipment or other technology to use during trips or circumstances in which the company will buy or lease equipment for travelers
8. Circumstances in which the use of remote conferencing technology is preferable to travel
9. Babysitting fees
10. Airline or other travel club fees
11. Rules applying to charges for wireless Internet access
12. Fees for the U.S. Transportation Security Administration's Pre-Check program and/or the U.S. Customs and Border Protection's Global Entry program.
13. Spousal travel when the spouse's attendance is required to serve business purposes
14. Kennel fees
15. Responsibilities of travelers, travel arrangers and managers
16. Credit card late payment fees and interest charges
- E. Review the corporate travel policy at least once a year and revise and reissue as necessary.**

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# Selecting A Travel Management Company



**A TRAVEL MANAGEMENT COMPANY IS A FOUNDATIONAL ELEMENT** of a managed travel program, often serving as a client's negotiator, consultant, analyst, tech expert and go-to source for crucial information. It can be tasked with helping an organization structure a travel program, develop policies and understand trends and metrics. It can be both a strategic and a tactical partner. The trick to formulating the right contract and establishing a successful relationship is determining how best to optimize a TMC's services to fit the specific needs of a travel program and a company culture. That may be increasingly difficult as handheld technology, consumerization and a general trend toward traveler empowerment raise questions about the very nature of managed travel. Travel program managers should ask hard questions as they consider which TMC to hire (if any), how their program should be configured and the roles that an agency should play within their environment. Travel management company sourcing can be a complex, arduous task. Preparation is key.

## I. LAY THE GROUNDWORK

- A.** Understand your company's vision and overall objectives: cost versus service; regional, national or multinational structure; autonomy versus consolidation; automated or manual support; a traveler-empowered versus a mandated program (or something in between); opportunities for earliest implementation.
- B.** Survey travelers and budget heads about their perceptions and experiences; engage your internal travel council, if one exists. Consider establishing performance benchmarks in key locations using different TMCs.
- C.** Well before embarking on a TMC sourcing project, consider an audit of your existing service provider and a technology assessment, and develop one-, two- and five-year travel operations plans. Coordinate with your legal and risk departments on the best approach regarding traveler safety issues.
- D.** Does/will your company contract directly with an online booking tool provider or is that tool part of the travel management company's offerings? Consider parallel bids for both scenarios.
- E.** In the United States, Airlines Reporting Corp. Corporate Travel Department desig-

nations allow users to collect all data, commissions and overrides, and select whether to perform in-house or outsource some or all travel management functions. Consider this option.

- F.** Document any requirements for mobile applications.
- G.** Obtain senior management authority. Set up an advisory committee of travel arrangers, frequent travelers and managers from finance, procurement, information technology, human resources, physical security and legal. Consider a smaller selection subcommittee to evaluate proposals. Determine decision governance.
- H.** Consider running workshops with four or five travel management companies (including incumbents) at your offices. Invite the advisory committee to attend.
- I.** Assess whether you wish to do this all in-house or to outsource part of the selection process. Consider hiring an independent consulting firm but check carefully for any conflicts of interest.
- J.** Communicate with the incumbent TMC at least a year in advance of any plans to bid/rebid for these services. Prior to this, be aware of any cancellation clauses in the pre-existing contract, such as those that prevent early solicitation (you should never agree to such terms). Make sure you have contractual language that addresses a transitional service obligation—a three-to-four-month phase-in period—should the incumbent not win the bid.
- K.** Understand your internal approval process and levels of approval required to award the bid, especially if the incumbent does not retain the business.

## II. GATHER DATA

Engage incumbent TMCs, charge card providers, suppliers, your data consolidator (if one is used) and internal departments to collect available data by country and location. Observe the 80/20 rule. Seek maximum data for the highest-volume countries and locations and generally estimate data for the



smallest locations if not readily available.

- A.** Collect granular transactional data, which helps TMCs develop operational plans and pricing proposals. Break down international and domestic gross and net air transactions and sales. If available, also provide a breakout of international travel into regional and intercontinental travel. Include rail, auto and ferry figures where available.
- B.** Provide total transactions for the most recent year plus the two preceding years. Group these into unassisted and assisted; telephone and online; and domestic, regional and cross-border. Provide the number of hotel- and car-only bookings if possible. Make a reasonable estimate of the first year's volume after implementation, especially if there are likely fluctuations that will affect service needs. This will impact staffing and total costs, including the budget you need.
- C.** Break down spending and transactions by division, location and cost center.
  - 1.** Gross transactions may be defined as the number of passenger name records and/or air or rail tickets issued plus refunds, voids and exchanges.
  - 2.** Ticket transactions may be defined as the number of air and/or rail tickets issued.
  - 3.** Net transactions may be defined as the number of air and/or rail tickets issued minus refunds, voids and exchanges processed.
- D.** Break down air, hotel, car rental, rail and ground transportation spending by country. List principal suppliers by volumes and cities, and identify suppliers with discount contracts in effect (without disclosing the discounts). Provide additional information for miscellaneous activity, such as after-hours service calls, use of international rate desks, navigational support and non-GDS bookings. Include specific transaction-related support services, such as point-of-sale billing, relocation, car hire and limos, credit card reconciliation, integration with crisis management tool, meetings management, supplier sourcing, etc.

- E.** Define benefits and shortcomings of the current service and staffing configuration, including the number of onsite offices (if any), staff by job category and unique or special services provided. For onsites, make note of available telephone systems and other equipment that the TMC need not provide, and how telecom will be configured. Decide whether you will charge the TMC for onsite space, a charge that the TMC likely will add to the cost they charge back to your organization.
- F.** Number of travelers who carry corporate cards.
- G.** Identify company travel patterns, including the number of VIP travelers, independent contractors and frequent travelers, as well as seasonal fluctuations.
- H.** Number of calls to the TMC per transaction, average call length, percentage answered in 20 seconds, average hold time and abandonment rates. Include agent productivity statistics, such as average number of transactions per year, assuming a normal number of calls per transaction. Identify at-home agents and any differences in productivity compared to call centers.
- I.** Provide non-guaranteed projections for corporate growth plans. Review likely volume increases or decreases for the largest corporate locations, which could impact staffing.
- J.** Percentage of bookings made by phone, online and email. Determine the percentage of online transactions that require human intervention. A high touchless transaction percentage can reduce costs. Consider asking the TMC for a single online fulfillment fee inclusive of touchless and touched reservations.
- K.** Share of total hotel room nights and car rental days booked through the current TMC and the percentage of hotels that pay TMC commissions.
- L.** Payment process details, including billing and payment configuration.
- M.** Gather baseline data on fees paid for collateral services (e.g. nonrefundable ticket tracking, pre-trip notifications, consulting services, carbon dioxide emissions reporting, custom reporting, meetings/events support, etc.).

### III. NARROW THE FIELD

- A.** Prequalify bidders based on company procurement guidance, internal need analysis and client profiles of bidders' customers. Small or midsize accounts considering a mega TMC should investigate services the TMC typically offers customers of that size and ensure services offered are commensurate with needs. Anyone involved in the process should sign nondisclosure agreements. Consider pre-RFP sessions for understanding potential bidders and educating your decision-making team.
- B.** Ask buyers who have similar budgets and/or are from the same industry about their experiences with the bidders. Speak with TMC representatives before the RFP is issued and the process is underway.
- C.** Consider how the bidders balance and measure service and cost avoidance. Review their HR policies, training and turnover rates, especially for front line counselors.
- D.** Evaluate TMCs' automated tools and their ability to integrate with other corporate systems.
- E.** Determine which TMCs best support the use of technology, possibly including:
  - 1.** Online self-booking
  - 2.** Automated expense reporting
  - 3.** Pre- and post-trip reporting
  - 4.** Traveler tracking and other risk management tools
  - 5.** Payment system integration
  - 6.** Tracking/refunding unused tickets
  - 7.** Custom portals with profiles, policy, security and destination information
  - 8.** Mobile applications for travel
  - 9.** Systems for measuring CO2 emissions and offsets.
  - 10.** Tools for non-GDS content access
- F.** Consider the TMC's role in account management, negotiation services, policy consultation, process innovation, e-commerce integration and meetings and incentive management, and any related fees. Will you require or encourage bidders to offer meeting services and separate pricing?
  - 1.** Ask the TMC about its suppliers, including global distribution systems, and seek alignment of incentives for supplier support.



2. Determine who will obtain hard- or soft-dollar benefits and fund agent incentive programs.
3. Determine TMC involvement in online booking systems and fulfillment of online transactions. Ensure that a TMC can deliver on any specific preferences or expectations. Seek detailed reference checks, including non-cited references and lost accounts.
4. Investigate how the TMC handles refunds—an area of potentially significant negative cash flow.
5. Ask TMCs to send templates of master service agreements and local/regional addenda so your legal department can review and identify any potential roadblocks.
6. Understand TMCs' ownership structure, board membership and board level decision-making authority.
7. Given the frequency of industry acquisitions, understand how your business would fit into a TMC's portfolio in the event it is purchased by another TMC. There is leverage for TMC clients to enhance commercial and service-level terms.

#### IV. PREPARE AND SEND RFPs

If you do not conduct workshops, a prequalification process or an RFI that narrows your bidders list, require TMCs to meet minimum criteria to receive the RFP. Otherwise, you may be obligated to evaluate responses that are not appropriate for your business. Customize any generic RFP template. Allow TMCs at least one month to respond—six weeks for a multinational response—and slate at least four to six weeks to evaluate responses. Also, allow enough time to negotiate with a shortlisted or winning bidder. Schedules often underestimate the time required.

Include in the RFP the following:

- A. Bidding rules and information about weighted criteria; information security and data privacy requirements; standard terms and conditions; whether an in-person presentation will be required; and a timetable for the process. Consider two phases, the first to eliminate weaker bidders and the second for best and final offers.
- Live presentations, if carefully orchestrated, can reduce time for final negotiations and often show major differences in the finalists' commitment to and interest in your business. Ask for senior TMC officials to attend, but be ready also to have your senior people there so that representations are balanced.
- B. Your organization's mission, growth plans, travel policies, objectives, requirements, data, current service configuration, service expectations, current preferred suppliers, reservations and payment methods, and projected changes in volume. Tell the bidders about your company, its line of business, its culture and other key factors. Include descriptions from websites or public documents and show how your company is successful by geography and product or service. Include all global and local travel policies, or at least summaries. These will affect service offerings and will be required to be observed by the winning TMC.
- C. Ask for information on the prospective TMC's ownership, offices and call centers, operating hours and after-hours service and support, years in operation, headcount, agents' average years of industry experience and length of time with the TMC, preferred GDSs, online booking adoption rates, consortia memberships and negotiated pricing programs. Assess:
  1. Audited financial statements
  2. Number and size of other commercial accounts
  3. References from customers with accounts of similar size, in similar industries and with recent implementations, as well as those recently lost for reasons other than consolidation
  4. Number of staff to be dedicated to your account and experience of those agents; transactions, calls or dollars each agent is expected to handle per day; and agent incentives for booking preferred vendors
  5. Call overflow procedures and whether backup will be provided in case of emergencies and absences
  6. Account manager roles and time allotted to your account versus other accounts
7. Agent training procedures
8. Complaint resolution procedures
9. Access to and reporting on non-GDS content
10. Quality control processes
11. Whether traveler profile systems are stored in global distribution systems, accessible to travelers online, synchronized with the online booking product, accessible for meetings management and customized to accept U.S. Transportation Security Administration-required data elements
12. Traveler services: emergency services, call routing, reservation changes, international services (passport, visa, legal and medical referral), security alerts, communication resources, meet-and-greet services, ticket tracking, mobile tools and low-fare search
- D. Multinational services. Consider:
  1. Expect service delivery to be different in every country. The best service available in each market might not be available from the same brand of TMC.
  2. It is essential to bring local travel managers into the process as early as possible. Decide early if the local managers will be on the selection committee or advised of the decision; buy-in can help later with implementation.
  3. Remember that not all agencies carrying the same name or brand are owned or controlled by the same entity. No global TMC owns all its offices. Check the company's ability to deliver seamless service across their network. Questions may include:
    - a. How are partners in the various countries contractually committed? Ask to see the service-level agreement to which all local TMCs have committed. Find out what happens if one leaves the network or gets sold.
    - b. Do the various travel management companies have the same technology across the globe?
    - c. How will the data be delivered?
    - d. Will the account management be central or local? Insist on a central global account manager (as well



as local support) so everything comes together in one place.

- e. How will the travel management company solve local complaints?
  - f. Will you be served by a local office or a central call center?
  - g. If considering a regional call center, understand how and where ticket fulfillment will be managed; understand any currency, tax and language implications for centralized fulfillment.
  - h. Ask for references from global accounts.
- E. Meetings services.** Is there dedicated meeting planning staff? What types of meetings management technology are available? Are incentive travel management services and destination information available? If you use a non-TMC meetings company, will the air travel components of meetings be booked by the TMC and how is this configured and managed? Include service standards for transient and meetings travel or ask for minimums from the bidders to compare and negotiate in the final contract for selection.
- F. Reporting**
- 1. What types of reports are available? Are graphical summary and pre-trip audit reports available online? Who will run pre-trip audit reports?
  - 2. Is there an online reporting tool that lets you review your own data? Does the online reporting tool allow you to query the database or only produce standard reports? Are tablet- or smartphone-optimized reports available?
  - 3. How often will reports be provided, and how soon after the end of a reporting period? What is the primary data source for pre- and post-trip reports? How is data quality ensured and how is information matched and cross-referenced when consolidated from multiple sources?
  - 4. Can reports present detail by department and down to the traveler level?
  - 5. Are global reports available? How (and how effectively) is data gathered from foreign locations? What is the timeline for receiving global

reports, and how often are they updated? Is delivery and accuracy guaranteed?

- 6. Can travel and card data be consolidated and accessed from a common database, or two data centers with integration?
- G. Financial and billing information**
- 1. Provide a spreadsheet in the RFP for TMCs to complete, so proposals are returned in the same format. Separate TMC revenues into base airline commissions, overrides, hotel and car commissions, GDS incentives and other. If applicable to the financial model requested, break down TMC expenses, including overhead and profit, labor costs, salaries and benefits and other direct costs like technology, telephone and delivery fees. Use a common currency for bid-by-bid comparisons. Consider fully loaded and management or transaction fees with breakouts. Fully loaded fees place risk on the TMC where costs escalate, and they are less complex to manage but less transparent than cost-plus, in which all costs are identified and a separate fee for profit and overhead is stated.
  - 2. Determine a preferred TMC financial configuration.
    - a. Transaction fee: Agree upon a definition depending on such criteria as online or offline; domestic, regional and international; bundled or unbundled; assisted, unassisted and touchless. Typically, transaction fees are defined as charges for airline ticket purchases, although some arrangements also include separate charges for hotel- and car-only reservations, or refunds and cancellations.
    - i. For calculations of a transaction fee, determine if revenues should be retained by the TMC or returned to the company. All revenues should be segregated per client and location, and accounted for as a set-off or fee reduction. This may be impossible for centrally paid overrides but these can be estimated for

credits. Different models may work better in some countries than others. Each office must know what it is paying for and receiving. Distrust can arise if revenues are not broken out.

- ii. Require details of optional value-added services and costs. If the TMC is providing the online booking system, find out when a booking becomes a transaction chargeable with a fee.
- b. Management fee**
- i. The TMC returns all commission revenue to the client, which pays the TMC for the cost of direct labor and other direct operating expenses, TMC profit and overhead.
  - ii. Provide an area in your spreadsheet for bidders to list categories of expenses, including salaries and benefits and other direct costs like technology, telephone and delivery fees.
  - iii. Fees to cover overhead and profit should be expressed as a flat amount per transaction rather than a percentage of air volume to ensure there is no incentive for the TMC to charge higher ticket prices.
  - iv. Determine if and how the TMC measures, divides and distributes override money received from airlines and other suppliers.
  - v. Require a breakout of any services for which additional fees will be charged. TMCs often differ in defining direct and overhead expenses, but they should provide comparable numbers for profit and overhead.
  - vi. Determine if fees are to be paid at ticket issuance or are due quarterly, monthly, weekly or at the point of sale. Will these be paid locally per office, per country, or, less commonly, by global payment from headquarters?
  - vii. Determine how hotel commissions are recovered and managed.



- viii. Create a service-level agreement with (at the client's option) a financial incentive to the travel management company for meeting specified key performance indicators (KPIs) and a penalty for underperformance. (TMCs may propose a KPI that also generates a payment for over-performance). Measure performance each quarter, and adjust fees accordingly. Ask the TMC to list methods of measuring each KPI. Ask each bidder for its model with an upward and downward scale. The increments should be fair so that real improvements are rewarded and only bad performance penalized, since a bad program quickly self-destructs regardless of KPI scales.
- c. Depending on the size of the account, there are opportunities to involve the TMC in some type of agreement to provide cost savings to the client in the form of savings on air, hotel and car spending. These agreements can be complex but offer potential differentiation among the TMCs. Such an agreement may include a financial incentive and/or penalty.

## V. EVALUATE THE PROPOSALS

Develop an evaluation structure ensuring reviews are as objective as possible. Quantify the areas of evaluation by some sort of point system and weight areas that are most important to the company. Consider using an objective evaluation structure in the presentations that are made to the company as well.

- A. Separate the technical proposals from the financial proposals. Evaluate the technical proposal and score prior to giving the evaluation committee sight of the financial proposals. Evaluating both simultaneously may color the judgment of the technical committee.
- B. Have legal review requested changes to your terms and conditions. Make sure bidders agree to transitional services following a notice of termination if you exercise without-

cause termination. Do not agree to automatic rollovers, but evaluate the relationship and whether to continue at least every three years.

- C. Put financial implications in the context of the services provided. Base the decision on more than the proposal alone, including cost of change and risk, the quality and experience of the key people assigned and the cultural fit.
- D. Get bidders to answer and clarify any questions your organization may have.
- E. Invite the bidders to present and take questions on their proposals while sticking to a pre-set agenda. Ensure the TMC brings people who can answer operational and technical questions. Consider separate webconferences for demonstrations of technology.
- F. Visit TMC sites that reflect the configuration you desire. Meet the operations manager who would be assigned to your account and see how the TMC would handle changes or emergencies.
- G. Call TMC references, including recently implemented or lost accounts. Call clients not included on the reference list. Be prepared to share results with the TMC. Consider a survey for references, which will allow you to rate responses through a short, multiple-choice grading system.
- H. Compare the financial offers and staffing proposals on spreadsheets. Have financial managers review proposed fee structures or any changes to them.
- I. Reduce the field to two or three finalists.

## VI. NEGOTIATE

- A. Depending on the finalists' best and final offers, determine whether you need to negotiate with all finalists or only the leading bidder. Determine the appropriate fees and other terms you will accept.
- B. Require a solid rationale for any requested changes.
- C. Contracts should contain definitions of key business phrases in the terms and conditions, financial, service-level agreement and data privacy and security sections.

- D. Review your company's balance of trade guidelines.
- E. Include the contingency emergency support plan in writing as part of the implementation package. Engage your company's internal risk management and security departments to review the TMC's security plans and technology.

## VII. SIGN A CONTRACT

- A. Do not use only a standard TMC contract form.
  - 1. Formulate a document that reflects your specific legal, service and financial considerations. Consider providing this early in the RFP project, asking all bidders to review the legal language and return red-line copies. This will speed up the contracting process with the finalist. Attach proposed contract minimums to the RFP for acceptance or comments. Do not allow the successful TMC to claim surprise on standard terms during final negotiations.
  - 2. Do not award the business until after you have both agreed to all the contract terms and conditions.
- B. Contracts should contain specific requirements, including service-level agreements, and define expectations as well as financial incentives and penalties. Ensure consistent performance by defining quality standards in the contract. Consider positive financial incentives for high performance.
  - 1. Include criteria for an overall rating on meeting program objectives.
  - 2. Build in savings and service metrics but leave the TMC latitude to develop its vision for servicing the account. Criteria might include:
    - a. Phone response and call-back time
    - b. Ticket, invoice and management information accuracy
    - c. Surveyed traveler satisfaction
    - d. Use of negotiated rates and preferred suppliers
    - e. Online booking adoption ratios and/or unassisted online booking ratios
  - 3. Obtain guarantees from the TMC on quality control systems, and



consider auditing to verify its claims.

- C.** Contracts commonly last three to five years.
1. Determine for how long pricing will be fixed and whether to allow for a pricing adjustment during the contract term.
  2. Include a contingency plan and consider volume adjustments.
  3. Require quarterly and annual reviews and options for an additional year or two.
  4. Clearly define cancellation and termination clauses, including notice periods, corrective action requirements and potential reimbursement to the travel management company for prorated losses incurred (unless the TMC is at fault). In case of termination, include such transitional service obligations as the solicitation of TMC employees for hire by your organization or by a new TMC.
  5. Ensure that your firm owns all data pertaining to the account and that it may be transferred to another TMC at the contract's end. Make sure that the storage and safety of all personal profiles at minimum meets data protection rules in countries covered by the RFP. Determine on a per-country basis who at the TMC is responsible for ensuring data protection.
  6. If your organization is a CTD, it owns the ARC number. Ensure contractual language requires the outgoing agency to pass the GDS pseudo city code to the incoming agency.
- D.** Negotiate how much of any cash settlement is guaranteed, how it will be measured and whether it is for the length of the contract or depends on the TMC's override agreements with airlines. Make sure all commissions and overrides due back are paid on all transactions through the last day of service.
- E.** Include language as to the TMC's responsibilities in working with your suppliers and in online booking system implementation and fulfillment. If the TMC will fulfill bookings, the service-level agreement must detail service expectations for changes,

refunds or support.

- F.** Understand claw backs and contingencies linked to any sign-on bonus or upfront incentives.

## VIII. DEBRIEF UNSUCCESSFUL BIDDERS

Bidders have made a considerable effort to put together a proposal and to respond to your RFP. They deserve honest, general feedback. Treat them with respect; although they may not be servicing your account, as business changes they may be able to service you in the future.

## IX. IMPLEMENT THE ACCOUNT

- A.** If the incumbent does not win the bid, start work quickly on the transition. Discuss the process with all divisional travel managers and TMC account managers.
- B.** Develop a schedule that clearly defines implementation steps and responsibilities. Consider introducing the program throughout the company, especially if it is global.
- C.** Solicit the TMC's help with materials for travelers and arrangers. Consider a phased approach at one site, country or region and allow feedback before proceeding.
- D.** Host a meeting between the outgoing and the incoming TMCs to make certain all parties agree to the transition timeline and other professional courtesies.
- E.** Include field offices in the implementation. If the travel management company will have onsite offices at remote locations, ask if it will allow local staff to choose the TMC-employed manager and agents.
- F.** Communicate savings and service goals to the travel management company and conduct monthly and quarterly reviews. Evaluate infrastructure costs up front and document start-up costs.
- G.** With the marketing or communications department, develop an employee communications plan.

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# Working With Airlines



**THE DESCRIPTORS APPLIED TO THE U.S. AIRLINE INDUSTRY** have changed dramatically over the years. Loss-making has been replaced with profitable. Fragmented has made way for highly consolidated. But some things haven't changed; big airlines still rely heavily on frequent business travelers and their corporate travel dollars.

Thanks to selective capacity allocation and slow but steady demand growth, the underlying economic conditions that guide preferred carrier agreements give a slight edge to the airlines. Their leverage is lifted by the consolidation of industry players, at least this phase of which appears to have concluded now that American Airlines and US Airways have cemented their merger. Following other major tie-ups, including Delta-Northwest, United-Continental and Southwest-AirTran, four mega airline groupings now control nearly 90 percent of the domestic market. The international joint venture model applied on transatlantic and other key international markets mirrors that supplier concentration.

While a declining pool of potential airline partners softens corporate buyer standing, the largest U.S. airlines have made clear that they'll compete aggressively for lucrative accounts—particularly those that deliver high yields and build strong traveler support.

It may be a seller's market, but it's not a remarkably robust one: In an updated price forecast issued in June, BCD Travel's consulting unit Advito expected North American intercontinental business and economy fares to rise by a mere 1 percent year over year, while "regional business fares will be flat, as transcontinental expansion by JetBlue and Virgin America increases competition, but economy fares are still expected to rise by 2 percent."

But in any environment there is room for mutually beneficial preferred carrier agreements. The following is a guide to help corporate travel buyers achieve them.

## I. GAUGE THE ORGANIZATIONAL MINDSET

Corporate deals are all about market share, particularly high-yielding share in competitive markets. More than anything, airlines want clients to steer travelers to book them instead of competitors and stimulate corporate business they otherwise wouldn't get. While large air volumes can get you in the door, buyers must demonstrate that they can motivate travelers through policy and enforcement to deliver incremental revenue. Even so, consider annual corporate air spending of at least a few hundred thousand dollars as a minimum, and ask your travel agency for benchmarks. For accounts with lower air volume, most airlines offer small-business programs that may include modest discounts, loyalty program mileage accrual, rebates and other benefits. Furthermore, many travel management companies make their own negotiated airline discounts available to clients.

**A.** Understand how senior management values preferred airline relationships to formulate a dedicated course of action.

1. Determine if the costs of implementing preferred airline agreements—including human resources and frequent-flyer loyalties—are worth the benefits.
2. Identify the types of cost savings and added services available and the commitment necessary to achieve them.
3. Assess the extent of senior management support for a preferred air program. True senior management buy-in, including mandating use of preferred airlines, can allay future difficulties.

**B.** Understand and communicate the organization's needs.

1. Establish a cross-functional sourcing team that could include the CFO, corporate travel manager, purchasing or procurement and meetings management representatives, leaders of divisions with large air expenditures, a representative from the travel management com-



# JETBLUE

With its new “Mint” premium cabin, satellite-based Wi-Fi, competitive fares, award-winning customer service and in-flight amenities like free DirecTV®, roomy leather seats and lots of nonstop flights, JetBlue is an excellent value for business travel programs and business travelers alike.

JetBlue is a better choice than ever before when it comes to serving business travelers and their corporations. The carrier serves more than 85 cities with over 800 daily flights to get travelers to diverse business markets. This year, the carrier has expanded its service to include Boston to Detroit and Washington Reagan to Hartford, CT., Charleston, SC, and Ft. Lauderdale, FL. Plus, JetBlue has over 30 airline partnerships that allow its clients to connect seamlessly throughout the world.

JetBlue’s business model has always focused on serving the traveler, and the carrier continues to up its game with amenities like its new Fly-Fi offering—among the fastest internet connectivity available in the air.

Big news for business travelers on JetBlue is the introduction of the carrier’s new “Mint” premium cabin, offering free Fly-Fi and DirecTV, lie-flat seats, cuisine from NYC’s Saxon + Parole, and personal amenities that keep travelers in “mint” condition to achieve their business objectives. Mint customers are not limited to the enhanced in-flight experience either: priority access through check-in and security as well as priority baggage keeps business travelers moving quickly from airport entry to destination.

Big news for travel managers looking for value in a premium product: You won’t see four-digit fares attached to JetBlue’s premium cabin. That’s a different approach that could allow more wiggle room to enhance air program offerings for VIPs and road warriors.

## Business Focus

JetBlue is the largest domestic carrier serving New York’s JFK Airport, and it is in the midst of expanding Terminal 5 to include an international arrivals facility named T5i. Plans for T5i include three additional gates, and a new Federal Inspection Site to handle U.S. customs and immigration checks. The airline aims to complete construction in 2015.

JetBlue is also the largest carrier at Boston Logan Airport. The carrier has reached 150 peak daily departures, and serves nearly one-quarter of the airport’s customers. On the West Coast, JetBlue opened a brand-new terminal at Long Beach airport, which is a focus city for the airline.



## SERVICE EXCELLENCE

**In 2014, JetBlue earned its 10th consecutive J.D. Power and Associates honor for highest customer satisfaction.**

- All JetBlue passengers check their first bag free.<sup>1</sup>
- JetBlue offers the most legroom in coach of any U.S. airline.<sup>2</sup>
- New “Mint” premium cabin keeps corporate travelers fresh for business.
- Business travelers benefit from mobile boarding at all JetBlue domestic airports.
- JetBlue is on track to deliver the airline industry’s first in-flight broadband Wi-Fi service later this year with ViaSat.
- As always, JetBlue offers its award-winning, free inflight entertainment: 36 channels of DirecTV and more than 100 channels of SiriusXM satellite radio.<sup>3</sup>
- Combine this with JetBlue’s low fares, modern terminals and its TrueBlue loyalty program, and both travelers and corporations immediately see the value of partnering with this industry favorite airline.

## Partnership Priorities

Corporate travel partnerships have never been more important to JetBlue, and the carrier understands that every enterprise is different in program size, service needs and partnership objectives. Later this summer, JetBlue will launch a new corporate travel offering—Blue Inc—a new online booking tool for small to mid-size corporations. It will provide air, hotel and car booking options, as well as a full suite of reporting.

JetBlue is the better choice for business. To learn more about partnering with JetBlue, visit [jetblue.com/corporate](http://jetblue.com/corporate) or email [salesteam@jetblue.com](mailto:salesteam@jetblue.com)

<sup>1</sup> Weight and size limits apply

<sup>2</sup> Based on average fleet-wide seat pitch for U.S. airlines

<sup>3</sup> Available on flights in the continental U.S. only

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pany and frequent travelers.

2. Estimate domestic and international air volume for the organization for the next year based on last year's numbers and important elements of the business plan for the coming year, such as merger and acquisition activity and new corporate locations. Also consider air volume for meetings and the amount of trips for internal purposes, like training, vs. customer visits. Though it's important to anticipate your travel footprint, remember that volumes are determined by the business and economic environment, not by the travel manager.
- C. Understand traveler air preferences.
  1. Ask the most frequent travelers which airlines they use and why.
  2. Assess frequent flyer memberships.
  3. Understand which amenities, both in the air and on the ground, are important to travelers. Not all airlines offer the same services.
  4. Determine traveler willingness to support a preferred airline program and the potential need for a mandate.

## II. GATHER INFORMATION

With proper data, an organization could win discounts on specific city pairs, for multiple destinations from one originating city, for regional business or even across your entire portfolio.

- A. From your travel management company databases, online booking system and third-party data consolidators, obtain:
  1. Most frequently flown city pairs—at least the top 20—by segments and passenger count. Include carrier and origin and destination data.
  2. Dollar volume per airline, per route, for the most recent 12-month period
  3. The number and value of tickets issued in various fare classes, including full-fare economy, discounted economy and business class. Focus on booked, as opposed to flown, data, which can be six months old by the time of reporting.
- B. Investigate the airlines. Information from government and independent

sources can help negotiations. If you know, for example, that an airline has low load factors on a route you fly frequently, or there is new competition on the route, you can be more aggressive in negotiating. Be aware of airline customer service metrics. Some airline or third-party providers offer reports on on-time performance, delayed flights and mishandled baggage. The U.S. Department of Transportation provides such data for domestic airlines through the Bureau of Transportation Statistics at [bts.gov](http://bts.gov).

1. Obtain marketshare information by city pair from the U.S. Department of Transportation—recognizing that such data is free but dated by at least a few months. Data from other sources, including ARC, travel agencies, consultants and other third parties, can be costly to obtain.
2. Look closely at data for more than one year to ensure you are examining an established trend. Look at different quarters of the year to determine the seasonal impact.
3. Focus on the capacity each airline has in given cities and on certain routes. The difference between one carrier's 60 percent market share on a route and another carrier's 20 percent share is significant to the buyer's opportunity to move share.
4. Useful information can be obtained from several third-party firms and consultants performing data analyses with optimization modeling. This will take into account both client traffic and airline capacity.
- C. Document how you plan to shift market share and influence travelers' choice of airline. Make note of past successes.
- D. Determine how and to what degree you can leverage your employees' meetings and leisure travel.
- E. Airlines increasingly are charging for a la carte offerings not included in the base fare. These can include fees for seat selection, checked bags, inflight Internet, onboard meals and upgrades. Though many of these fees are not negotiable, travel buyers should attempt to capture spend-

ing through expense reporting and charge card data to show airlines the total amount spent.

- F. Compile benchmarks. Data from peers and travel management companies may help give you perspective.

## III. GET STARTED

- A. Not all types of business are equally important to every airline. The key is to understand your travel patterns and find a compatible supplier partner.
  1. Recognize airline network strengths: Short-haul versus long-haul; hub-and-spoke versus point-to-point; international reach versus domestic focus
  2. Recognize product differences. Some airlines are no-frills, lower-cost operators, while others provide a more comprehensive range of services.
  3. A careful analysis of your organization's travel patterns may present opportunities for citypair-specific rather than systemwide deals, but do not sacrifice overall savings for sizable citypair-specific discounts. For more than one systemwide deal, carefully analyze which airlines will maximize citypair coverage without compromising competitor share obligations.
  4. Determine if the carrier participates in an airline alliance. Some airline partners offer joint alliance deals, while others have taken such relationships even further by developing antitrust-immune joint ventures, through which partners manage capacity, fares and corporate deals as one entity on some subset of their network. Determine the magnitude of alliance relationships and how it impacts negotiating leverage. Consider whether the airline requires an agreement through the joint venture as opposed to individual carrier agreements.
- B. Communication is key to any business relationship. Interface with:
  1. Airline contacts. Determine the degree of authority the airline delegates to its representatives at different levels.
    - a. Local corporate account executives
    - b. Regional sales managers



# MORE OF AFRICA. MORE OFTEN.

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## Departures

Flight	Destination	Status
SA204	SOUTH AFRICA	BOARDING
SA142	MOZAMBIQUE	ON TIME
SA188	TANZANIA	ON TIME
SA208	SENEGAL	ON TIME
SA054	ANGOLA	BOARDING
SA048	ZAMBIA	BOARDING
SA184	KENYA	ON TIME
SA060	NIGERIA	ON TIME
SA022	ZIMBABWE	ON TIME
SA1767	BOTSWANA	BOARDING
SA074	NAMIBIA	ON TIME



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- c. The corporate sales or business development director at airline headquarters: Establishing such relationships helps ensure that changes in regional staff do not eradicate contacts. However, headquarters-level relationships may be limited, especially for smaller travel programs.
- 2. Travel management company contacts
  - a. The travel management company might have an established relationship with the airline.
  - b. Travel management companies frequently are the primary source for your organization's spending history and can be partners in negotiations.
- 3. Peers and consultants can provide benchmarking data.
- C. Some organizations, especially larger ones, take a formal approach by sending out requests for proposals to headquarters and local sales offices. Include essential information only. Agencies and consultants can help formulate and streamline the process.

#### IV. NEGOTIATE THE DEAL

- A. Start by outlining the benefits of your business to the airline. Typically, airline agreements are written by and for the airlines, though organizations' legal departments may seek modifications.
  - 1. Even before you issue a request for proposals, provide data to prospective air partners on your organization's traffic patterns and spend. Highlight areas of interest to the airline, including such higher-yielding purchases as international business class. Many airlines will require your data to be processed through a third-party data aggregator prior to submitting a proposal. Allow four to six weeks to facilitate the data release authorization required of this process, as it involves coordination between the airline and any travel management companies servicing your organization.
  - 2. Airlines are reluctant to offer trial periods for contracts, but absent the appropriate data, organizations may be able to implement
    - stair-step agreements in which the level of discount increases with the volume delivered. Be warned that such deals are never as good as a formal bid based on historical data.
- B. Be persistent. Airlines are selective regarding the accounts on which they bid. Offering more volume on international routes can revive rejected requests for domestic discounts. Try to tie the two together for maximum purchasing power. Recognize that airlines place higher value on high-yield purchases such as business class, international service or full-fare economy, and they discount accordingly. Avoid putting all of your eggs in one basket, as market conditions and travel demographics can change.
- C. Show a strong front.
  - 1. Try to have your controller or senior financial manager attend negotiating sessions to help crunch numbers and describe the organization's fiscal direction. Summarize your organization's value to the airline.
  - 2. Depending on the organization's culture, include procurement and other departmental representatives at each step of the negotiating cycle.
  - 3. Invite your travel management company if helpful, but be sure to inform the airline about who will be present.
- D. Negotiate the types and levels of domestic discounts.
  - 1. Most airlines base discounts on the market share or incremental share and/or revenue an organization can provide, on specific routes, multiple routes from one origination point or systemwide. Discount structures differ by airline, so it is important to understand which fare classes are included in any agreement. Keep the contract and the number of discounts manageable. Cluster markets with similar discounts or share requirements where possible.
  - 2. Consider:
    - a. Agreements that include dollar-volume or segment goals might not be beneficial.
    - b. Most airlines exclude lower-bucket fare types from discount programs. Assess the impact of such exclusions.
    - c. Obtain assurances that the traffic goal is reduced proportionally when frequency or aircraft size is reduced in a given market. Such clauses can alleviate contractual conflicts.
    - d. Don't overestimate volume or the ability to deliver it to extract a higher discount percentage. Avoid the pitfall to over-commit volume. Over-commitments frequently will be met with reduced cooperation from the airlines, which will impact the value of discounts earned in future negotiations. This will impact your organization's credibility and ability to negotiate favorable rates in future negotiations.
- 3. Other discount options:
  - a. Most airlines have fixed percentage meetings discounts for a group of people flying to the same destination, whether or not they're starting at the same departure point. Zone fares also may be available for groups of travelers. Buyers should assess group and meeting products and the potential benefits of combining transient and meetings spending for negotiating leverage.
  - b. Some airlines may offer back-end discounts or incentive payments to eliminate the risk of providing an upfront discount with no increase in share. Ensure all back-end rebates and discounts are guaranteed and communicate the benefits of any back-end deals to corporate travelers.
- 4. Your discount might be dependent upon your travel management company's override agreement, through which it receives compensation to drive volume to a particular airline. The travel management company might pass on to you the production-based revenue it earns from the airline on business booked for your account. Be



# UNITED AIRLINES

Serving more than 360 destinations around the world with more than 5,000 daily flights, United Airlines® continues to grow its global route network by expanding into the business markets that matter most to customers. This year, United continues to make significant business-friendly investments in its products and services.

## World-class network unmatched in scope and scale

United is the carrier of choice for corporations and corporate travelers alike. This year, United is expanding its global reach with new service in prime business markets that include San Francisco to Chengdu, China and Taipei, Taiwan; Los Angeles to Melbourne, Australia; and Houston to Munich, Germany. Responding to strong demand from business customers, the airline has already added a second daily non-stop flight between Houston and Tokyo, Japan.

## Business-flyer-friendly throughout the travel experience

In addition to continuing to grow an unparalleled network of global business markets, United is investing in the overall customer experience—in the air and on the ground. The carrier is introducing and enhancing the products and services that customers want by adding new aircraft to the fleet; building terminals that make the overall airport experience more efficient; designing the new United Club<sup>SM</sup>; introducing more flat-bed and Economy Plus<sup>®</sup> seats; and keeping customers productive and connected with United Wi-Fi.

## Onboard-friendly

This year, United is taking delivery of 36 mainline aircraft, including new Boeing 737-900ERs and six of Boeing's most advanced aircraft, the Boeing 787 Dreamliner, two of which will be 787-9s. Additionally, United has increased its order for 35 Airbus A350-1000 aircraft, the largest member of the A350 family.

United offers more flat-bed seats than any other North American airline with United Global First<sup>SM</sup> and/or United BusinessFirst<sup>®</sup> seats available on every long-haul international aircraft.

Understanding the importance for customers to stay connected at all times, United has installed global satellite-based Wi-Fi on

more than 200 aircraft and power outlets on more than half of its mainline fleet. United plans to have Wi-Fi installed on all mainline aircraft by the end of 2014.

## Airport-friendly

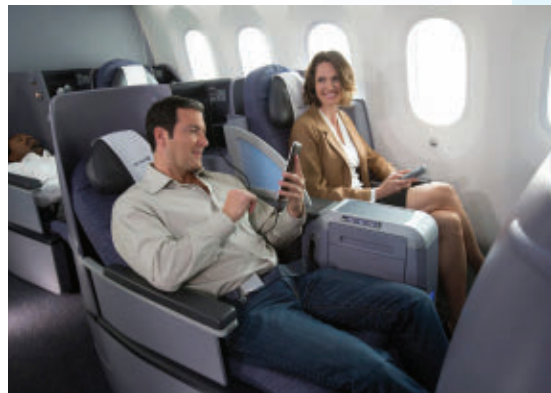
United is introducing innovations in select airports in the U.S. and abroad to help customers travel efficiently. Re-imagined ticketing lobbies, improved security checkpoints, and new and refurbished United Club locations make the travel experience easier and more convenient.

New terminals are open at United's Houston and San Francisco hubs, and customers traveling through Boston and London can now experience state-of-the-art features such as self-tagging baggage kiosks, self-boarding gates, and a new customer service center.

## Travel-program-friendly

*Working with United for your corporate travel program has never been better. Visit [United Airlines at united.com/business](http://UnitedAirlines.com/business) and find out what partnering with United can do for your program.*

*Destinations include service operated as United Express<sup>®</sup>*



## UNMATCHED IN SCOPE AND SCALE

>> More flights to more destinations around the world than any other airline

>> Ideally located hubs throughout the U.S. in key international gateways

>> #1 carrier in top five U.S. business markets



A STAR ALLIANCE MEMBER 



aware that these agreements may not be in line with your preferred airline mix. Though such agreements are confidential to airlines and travel management companies, it's possible to learn the targets and the value of your organization's contribution to the override.

5. Most airline deals are net fare agreements. However, some airlines provide back-end discount programs in certain international markets.
- E. Agree on the types and levels of international discounts.
  1. With domestic U.S. discounts minimized, buyers are seeking savings on higher-priced international flights.
  2. Beware the pitfalls of dollar-based volume goals. Buyers have no control over currency conversion fluctuations that negatively impact such goals on international routes.
  3. Guaranteed upgrades can be obtained in lieu of a special fare or productivity-based free tickets. Capacity-controlled, one-class upgrades now are prevalent in specific markets. Make certain this is not in conflict with travel policy since upgrades with one airline may set a precedent.
  4. Multinational agreements may include different discounts in different regions but also may provide a bonus for overall multinational performance and other umbrella incentives. Strive for point-of-origin pricing rather than point-of-sale pricing, so discounts are available regardless of the country in which an airfare is booked.
  5. If you strike a deal with an airline that distributes your traffic to codesharing foreign partners, ensure systems are in place to guarantee the business is credited to the contracted airline.
- F. Determine how the airline provides access to promotional fares and how they can be used and counted within contracted programs.
- G. Some airlines may have a preferred payment or lower-cost payment vehicle that could impact airline flexibility.
- H. Set the contract length.

1. Traditionally, deals negotiated between organizations and airlines extend for two years, though organizations may want to press for even longer agreements. Most airline agreements include formal periodic reviews and exit clauses, generally at 30 days' notice.
2. Some airlines offer so-called 'evergreen' options, wherein the terms, conditions and boilerplate legalese of agreements are retained, allowing buyers and airline sales personnel to focus exclusively on



the commercial terms at regular intervals.

- I. Mind ethical considerations.
  1. Airlines often will squelch deals if they've been used to set a target level for negotiations with their competition. Be careful: Word gets around about such double-dealing, and you could be precluded from discounts with carriers in the future.
  2. Keep the terms of your deals confidential. Most airline contracts are bound by nondisclosure agreements that prohibit the sharing of any information, except for ticketing instructions to your agency or airline-appointed data processors.

## V. MANAGE THE DEAL

- A. Inform employees, emphasizing senior management support for the program.
  1. Post your travel policy on a corporate intranet page and use your online booking tool and agency to steer travelers to book preferred airlines.
  2. Consider sending a memo that

reiterates travel policy and encourages the use of your organization's preferred airline.

3. Consider holding employee seminars. Include in a presentation:
  - a. Potential savings on preferred airlines
  - b. Descriptions of any special programs to encourage use of the airline, including monetary prizes, upgrades, advance seat assignments, access to airport lounges, extra frequent-flyer mileage—as agreed to by the airline—or perhaps free trips not tied to a frequent-flyer program
- B. Ensure your travel management company and its representatives are aware of the deal and understand their role in implementing it.
  1. Make sure that you and your supplier partners understand which party is responsible for fare loading and consider regular audits to verify accuracy.
  2. Define procedures for travelers and agents, so that they will book the preferred airline.
  3. Agree upon recourse if a travel agent fails to book the preferred airline or mention its availability. Failure to book the negotiated rate is a common error when processing corporate accounts.
  4. Specify what the travel management company and online booking tool must do when your corporate traveler rejects a flight on the preferred airline. For instance, the traveler's refusal of a contracted airfare might trigger the production of an exception report that is forwarded to the travel office and the traveler's supervisor.
  5. Consider asking the travel management company to publish the savings achieved by accepting the preferred airline booking on travelers' itineraries. Conversely, publish lost savings opportunities.
  6. If your spend is sufficient, airlines will allow your travel management company to contact a special desk for major corporate accounts. Through this channel, airlines will consider matching prices on specific itineraries, enabling the organization to save





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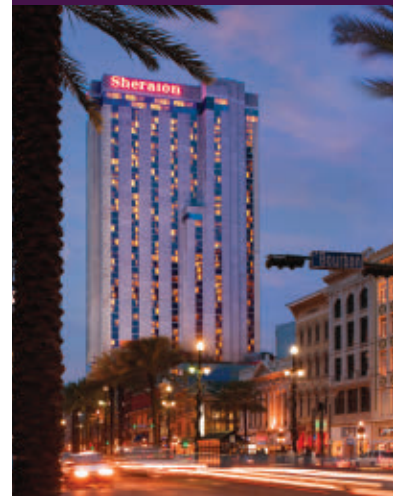
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# SOUTHWEST AIRLINES

With continued growth, extended market coverage, and enhanced inflight services, Southwest ups its position in the corporate travel marketplace.



A corporate travel mainstay, Southwest Airlines® is the United States' largest domestic carrier and it continues to grow both its market coverage and its commitment to the corporate travel marketplace. The acquisition of AirTran® opened new markets to the carrier—both domestic and international—and, as a result, new opportunities for corporate travel buyers and managers.

Along with newly expanded non-stop service from domestic locations such as Washington, DC, Dallas Love Field, TX, New York, NY, Southwest has added international locations Cabo San Lucas, Mexico City and Cancun. Additional international flights continue to be serviced through AirTran, which this year introduced additional service to Nassau, Aruba, Punta Cana and Montego Bay.

Until the carriers finalize their integration, which is expected to complete by year-end, Southwest will continue to sell AirTran and promote its products, in addition to its own, to both airlines' corporate partners.

## Strategic Partnerships

Southwest is renowned for its no-change-fee policy and free checked baggage\*, but there's more to be gained from a formal corporate partnership. Corporate travel professionals count on Southwest Airlines to create strong strategic agreements and deliver an enhanced loyalty program and premium options for business travelers—alongside the reliable products that have made the carrier a favorite for all types of travelers.

Southwest boasts a suite of distribution options to meet client needs, and a streamlined in-airport experience for travelers. Business Select® fares guarantee an A1-15 boarding position, extra Rapid Rewards™ points and free drink in flight. EarlyBird®, offers automatic flight check-in to ensure the best available boarding position. This year, Southwest launched a new SWABIZ Meet-

ings Program to help partners manage meetings while lowering their travel costs.

## Best of Both Worlds

Southwest is always enhancing its Rapid Rewards® program, clinching the top spot in the 2014 IdeaWorks Switchfly Reward Seat Availability Survey and took home two Freddie Awards for Best Customer Service. The Rapid Rewards Chase Premier Card also won for Best Loyalty Credit Card. Southwest's award winning Rapid Rewards program offers travelers no blackout dates, unlimited reward seats, the ability to earn points for every dollar spent and—among many other perks—reward points never expire.

Soon, the Southwest and AirTran rewards programs will merge to become one all-inclusive program for both carriers. In the meantime, corporate travelers can transfer their rewards between the two airlines to redeem them for reward travel—opening the door to more than 90 destinations.

## In-Flight Enhancements

Southwest has also rolled out its first Boeing 737-800 aircraft, carrying 175 passengers—a 30 percent increase over Southwest's current fleet configuration—and expected to improve unit costs per flight.

Travelers onboard Southwest -700s and -800s can make the most of their time inflight with Wi-Fi and wireless entertainment options. The carrier maintains the largest satellite-based Wi-Fi fleet in the world, with

the goal of connecting business travelers to what matters most. In addition, Southwest is the only airline to stream live television channels to mobile devices. Southwest currently offers 20 live channels and up to 75 on-demand television episodes for free, courtesy of DISH!

In addition to the enhancement of Rapid Rewards, Southwest introduces travelers to a new era of customer comfort and sustainability with an upgraded cabin experience. This new cabin design improves efficiency and reduces waste, while improving the customer experience. It also makes room for more seats than ever, upping the on-board count in Southwest's fleet of 372 Boeing-700s from 137 to 143. Southwest expects to begin retrofitting AirTran's fleet with this new cabin interior, as well.



To find out more about Southwest Airlines corporate travel programs, go to [www.southwest.com/corporatetravel](http://www.southwest.com/corporatetravel).

\* Size and weight limitations apply







Advertising  
Corporation  
\$475K annual savings

Insurance Company  
\$884K annual savings

Consulting Firm  
\$1.5M annual savings

Manufacturing  
Corporation  
\$983K annual savings

Government  
Contractor  
\$252K annual savings

**Numbers don't lie.** Southwest® Corporate Travel partnership saves your bottomline with services such as customized programs and no change fees.\* Join the ranks. Visit [southwest.com/corporatetravel](http://southwest.com/corporatetravel) for more information.



\*Fare difference may apply. Numbers based on negotiated rates and bag fee and change fee savings in 2013.



money while fulfilling market-share commitments.

7. Ensure your travel management company does not have in place travel counselor booking incentives that conflict with your organization's interests.
- C. Monitor the deal through management reports from your travel agency and airline, both to assess the effectiveness of the current deal and to prepare for future negotiations. Airlines use sophisticated tracking tools to gauge corporate client performance so they can amend or cancel the contract if goals are not met. In many cases, the airline will provide the buyer with reports.
  1. Watch corporate traveler compliance with the agreement and consider deploying incentives to ensure it. Pass along management reports to department heads to track performance. Internal benchmarking, or measuring compliance among departments or lines of business, can serve as a powerful travel management tool.
  2. Keep track of whether your organization is booking flights at a pace that will meet the agreed-upon marketshare commitments. Keep in mind seasonal travel patterns. What might look like a shortfall or excess volume at one point might end up being corrected by year-end. Your travel agency may have tools for managing multiple contract goals at the point of sale.
  3. Maintain an open line of communication with your travelers via corporate intranets, email, surveys, social networks and memos to hear their opinions about whether the airline is providing acceptable service. Be sure copies of all queries and complaints are forwarded to your office.
  4. Maintain contacts with airline sales representatives to develop long-term relationships and to ensure the organization and airline share a view of how the agreement is being honored. Establish multiple contract performance checkpoints throughout the course of a contract.
  5. Many large companies use third parties to analyze contract performance and understand how airline revenue management affects preferred corporate deals.
6. Compile data from management reports for use in negotiations at least one month before the contract is set to expire. Such data should include:
  - a. Average fare per negotiated route for preferred and nonpreferred airlines
  - b. The amount of business directed to the airline before and currently
  - c. If applicable, reasons why the preferred airline was not used, such as travel agent error, employee refusal, the organization's lowest-logical-fare policy or unavailability of seats, perhaps due to a carrier decreasing the service that it provides in a particular market
- D. Consider hiring a third-party audit firm to help monitor your travel management company's performance in booking your organization's preferred airlines. This may prove particularly helpful for an organization with multiple agencies.
  1. Have the auditor examine available data, including the percentage of time your agency offered the discount fares when such discounts were applicable, how frequently travelers accepted them and why travelers declined to accept them.
  2. Determine whether the airline imposed limits not in the contract on the availability of discounted fares.
- E. Renegotiate the deal, if desired. In most cases, if an organization has generated even a small increase in market share for the airline, it probably can get at least a one-year renewal. If an organization has exceeded targets, or met them despite obstacles, it should request a larger discount. Travel buyers should regard the contract as a living document. As travel patterns change, amend goals and discount levels.

## VI. MISCELLANEOUS

- A. Though airlines largely are unwilling to negotiate the elimination of baggage fees, they often waive those fees for elite frequent flyers. Major

airlines are willing to negotiate elite designation and status-matching as part of a deal, which can help frequent travelers transition to a new preferred carrier and shield them from additional fees.

## B. Upgrades

1. Many airlines award upgrades almost exclusively to elite members of loyalty programs, but increasingly airlines are making seat upgrades available for sale at the time of check-in.

2. Make sure travelers know if you have a deal providing upgrades on a space-available basis.

## C. Airport lounge admissions

1. Some airlines offer free airport lounge memberships in lieu of a discount.
2. Some provide a limited number of airport lounge admissions on request to develop corporate loyalty.
3. Increasingly, airlines are offering reciprocal airport lounge access for customers of an allied airline.


- D. Membership in special services/VIP programs: Often, corporate deals offer executives special services. The number of executives authorized to take advantage generally is based on the organization's spend. Airlines also may provide separate airport check-in for some accounts.

- E. Bulk purchase tickets: Some airlines sell bulk-purchase tickets or flight passes, which require an upfront payment but can provide savings when upfront discounts are difficult to attain.

- F. Some airlines will consider prepayment at fixed rates in certain city pairs and payment on a cost-per-mile basis, perhaps with a pay-at-use concept.

- G. International safety: Consider investigating an airline's safety and security procedures, or its airport facilities.

- H. Ensure that the organization is relieved of all airline contract commitments during labor-related work stoppages or slowdowns.

*Prepared by Jay Boehmer, with assistance from travel consultant Margaret Brady and United Technologies Corporation global travel manager Michael Lyons.* 



# Setting Up A Corporate Lodging Program



**LODGING PRESENTS ONE OF THE MOST COMPLEX,** time-consuming challenges in travel management.

When negotiating with hotels, buyers face a fragmented industry with a complicated ownership structure. The time required, from preparing data to launching requests for proposals to actually getting negotiated rates loaded in the proper channels, to manage a lodging program has been steadily increasing for the past several years, and unlike other travel supplier categories, hotel contracts usually are renegotiated every year. To complicate matters further, lodging tends to have the lowest rate of compliance of any supplier category.

As buyers and suppliers alike try to find a better approach than the current annual hotel RFP process, a strategic assessment of your hotel program at least can mitigate some of the challenges it presents. When well executed, the payoff can be grand, as hotel spending can match or even exceed the traditionally largest travel category—airlines—in a corporate travel budget.

## I. SETTING GOALS, STRATEGIES AND PREPARING FOR NEGOTIATIONS

- A. Determine the goals you want to achieve in your hotel program, and evaluate the resources and time needed to accomplish them.** Consider viability and the return on investment of internally managing the entire process with your own team. Otherwise, an option is to outsource all or a portion of the work to your agency—travel management companies often have a department that specializes in hotel sourcing—or one of the numerous consulting firms with expertise in the hotel segment. Determine your lodging strategy for the year based on your organization's requirements, your travelers' requirements and industry trends. Survey your top travelers to find out what matters most to them, including rate, location and amenities.
- B. Identifying spend:** Hotel spend can be as much as 40 percent of overall company T&E. Involving all stakeholders at the outset of the project will maximize the accuracy of your spend data. Subcategories of hotel spend include business transient, project or extended stay, meetings and relocation (which might include serviced apartments). It is important not to manage hotel spending in silos. Fragmenting hotel spend inevitably will result in suboptimal data capture and loss of leverage, resulting in lost savings. For optimal discounts, you should know total spend by city, property and chain.

**C. Gathering data:** Hotel sales managers will expect business travel buyers to be able to justify projected room night volumes before sitting down at the negotiating table. Buyers should approach negotiations armed with as much validated historical information available to show the organization's specific travel patterns (day of arrival/day of departure), projected room nights and average rates. Prepare to review cost-of-stay information, use of Internet, breakfast and parking, as well as which costs are covered by your travel policy, including movies, fitness centers or laundry services. Where possible, include meetings-related room night spending, including meeting space, food and beverage and equipment costs.

- 1. Use the following sources to collect hotel spend and room night data:**
  - a. Travel agency reports** will contain your agent booked data and also online booked data fed into the back office. If you have a direct relationship with an online booking tool provider, for both hotel and air, confirm whether the data is being transferred into the agency data. Note that travel agency reports are booked data, not consumed data, and can vary slightly to significantly from hotel reporting, as cancellations, reduced stays or extended stays might not be reported back to the agency. It also will be missing hotels booked direct, which on average can be as much as half of your hotel bookings.
  - b. Open-booking data sources:** Some companies can assist in aggregating data from hotel bookings made outside your primary channels.
  - c. Credit card reports:** To validate the value of the card spend, understand whether your corporate card is mandated, strongly encouraged or optional for hotel reimbursement. If possible, ask for meeting spend to be separated from the transient spend. E-folio data, which provides de-



tailed spending data about hotel stays, is becoming increasingly available through corporate card providers and hotels but is not yet consistently available from every hotel. Detailed hotel credit card data is not available in many countries outside the United States. Research confidentiality laws if you use e-folio systems.

- d. **Expense management system:** These reports may be a challenge to use, as critical fields of information may be missing, such as hotel name and address, which limits the value of the report. Understand exactly what spend is contained in these reports, and be prepared to explain the nuances. However, this report may well provide some indication as to leakage in your spend when compared to the credit card and the agency data.
  - e. **Hotel suppliers:** If you are working directly with a chain through a national account manager, ask him or her to provide you with the hotel production report for the chain. Otherwise, you can contact the hotel directly and ask what production it has tracked. Compare this data to your own internal reports and question it if it varies considerably, as the data at times can be inaccurate.
  - f. **Meeting suppliers/meeting registration lists:** A comparison of the different sets of data will allow you to see a more complete picture of your total hotel spend and identify gaps and weaknesses in the different data sets.
2. In addition to hotel spend and room night data, travel buyers should request from facility management a list of all corporate locations with complete mailing addresses. In some organizations, it will be important to determine a list of client offices that are visited regularly. Having a complete address will allow you to map distances from facilities/offices to potential hotels to include in your program.
  3. Specific information about your organization's travel program will be mutually beneficial for potential

hotel partners to have. Other data that you could gather and would be useful to the overall negotiations could include:

- a. The number of hotels in a given city (broken down by downtown and airport locations) that you intend to include in the program. In general, secure one or two hotels in every primary market with 300 or more room nights. High-demand cities might require more hotels to support high-occupancy periods.
- b. Destinations visited at least once a month, including the number of booked room nights from your consolidated volume reports
- c. The number of travelers that visit each city monthly or annually, determined by airline data
- d. An overall indication of the corporate travel policy, including use of booking tools, any recent changes and traveler adherence, as well as any proven ability to shift share as the result of obtaining or losing a discount
- e. The number or percentage of hotels in each price tier—budget, economy, midprice with food and beverage, midprice without food and beverage, extended stay, upscale, upper upscale and deluxe—used in each city, and changes to that trend over time
- f. Average length of stay in various cities and at various types of properties
- g. Seasonality of business and typical day of week use
- h. Information on past use of and preference for hotel services and amenities, as well as any forthcoming policy changes that would affect their use. Share information with suppliers on such amenity preferences as Internet or breakfast, in addition to overall program goals in terms of amenities and special services.
- i. Changes such as acquisitions, mergers, divestitures, new offices or office moves or staff changes that could affect hotel usage
- j. Historical and anticipated project spend
- k. Meetings and incentive trip data.

Request historical meetings and project data to negotiate in high-volume markets that are not a major part of the transient travel program.

- l. **Taxes/surcharges:** For budgeting purposes, factor in hotel occupancy taxes and additional city and state taxes or fees and any surcharges.
- D. **Evaluating the business need for different hotel types:** Depending on the number of travelers, types of travelers, the locations they visit and the frequency and purpose of those trips, buyers may prefer to deal with a mix of large, convention-style hotels and smaller, more intimate boutique properties. Negotiating chainwide deals with large, multibrand companies might make the most sense, or buyers might opt to work primarily with independently owned and managed properties. Buyers should consider extended-stay hotels or serviced apartments, or negotiate long-term stay discounts with standard hotels, for project or relocation spend, including engineers, consultants, trainees and trainers who need a place to stay for more than five nights. Usually, a hotel program will incorporate multiple options to provide coverage to include preferred hotels, chainwide agreements, agency hotel rates, project rates and meetings and events.
  1. **Hotel chains**
    - a. Negotiating a chainwide deal might allow you to leverage your travel volume to the greatest effect, especially if many of those nights are booked in second- or third-tier cities, where the volume of business travel is less than in key cities. Multiyear chain deals can save time and money for future negotiations and include value-added amenities unable to be negotiated locally or regionally. This might be difficult in smaller programs, as hotel chains may look for a minimum amount of spend with the chain to qualify. Also, because hotels often operate on a franchise model, local hotels may opt not to participate and often will not take global purchasing



# STAYBRIDGE SUITES & CANDLEWOOD SUITES HOTELS

Staybridge Suites® and Candlewood Suites®, the extended stay brands of IHG®, both provide the service innovations and value needed for a progressive corporate hotel program. Multiple contract options and unique service offerings provide flexible options that help companies realize savings. Together, the Staybridge Suites and Candlewood Suites brands offer more than 500 locations worldwide.



Innovative and upscale, the Staybridge Suites® brand combines the best of home and hotel with home-like comforts; studio, one-bedroom and two-bedroom/two-bathroom suites; and all the amenities business travelers need for a productive extended stay. With nearly 200 locations worldwide, Staybridge Suites hotels provide business travelers a service-oriented home base from which to connect with their clients and other guests. And when travelers feel welcome, connected and comfortable, they feel a little closer to home.



Every guest at a Staybridge Suites hotel enjoys:

- Extended Stay Rates
- Suites With More Space
- Free Wireless Anywhere
- Fully Equipped Kitchens
- Evening Receptions
- Business Center
- Complimentary Hot Breakfast Buffet
- Free Guest Laundry
- Fitness Room
- The Pantry, 24/7 Convenience Store
- IHG® Rewards Club

Focusing on comfort, space and value, Candlewood Suites® hotels offer travelers a flexible and affordable alternative to short-term housing, with studio and one-bedroom suites. Candlewood Suites guests enjoy an environment where they can live, work and relax on their own schedule. At Candlewood Suites hotels, guests feel more relaxed from the start. At more than 300 locations, business travelers can kick back with a more casual stay, while still having access to all of the comforts and conveniences they need to be at their best while on the road.



Every guest at a Candlewood Suites hotel enjoys:

- Extended Stay Rates
- Suites With More Space
- Free High-Speed Internet
- Fully Equipped Kitchens
- The Candlewood Cupboard®
- The Lending Locker
- Free Guest Laundry
- 24-Hour Candlewood Gym
- Outdoor Gazebo Grill
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For more information about partnerships with Staybridge Suites or Candlewood Suites hotels, visit [www.StaybridgeSuites.com/BTN](http://www.StaybridgeSuites.com/BTN) or [www.CandlewoodSuites.com/BTN](http://www.CandlewoodSuites.com/BTN)



power into consideration when determining rates. Commonly, hotels will ask for corporate clients to commit to no more than two or three chainwide deals per region. Chainwide deals often are dynamically priced, with an established percentage off best available rates. In some cases, these can be as good or better than a flat discount and can include amenities. Some chains will offer a combination of fixed-rate pricing in high-volume cities and dynamic pricing for all other locations.

- b.** On a case-by-case basis, it may be efficient and cost-effective to negotiate with one national account sales manager, thereby establishing a single point of contact with the hotel company, rather than negotiating with multiple sales managers at various hotels. However, corporate clients may have to qualify with hotel chains to receive global or regional representation. Also note that a national account sales manager also will be negotiating on your behalf with local properties that are independently owned. Some chains also are beginning to offer support to smaller clients through online or central phone support centers.
  - c.** By working with a multibrand hotel company or companies, you are able to include hotels at different price points in a single negotiation. While travel buyers once gravitated to upscale, upper upscale or even deluxe hotels to house their travelers, midprice brands' offerings and service levels are acceptable to many business travelers.
    - i.** The value created through free breakfast, free high-speed Internet, airport/local transportation and free parking might make certain properties more attractive. Focus on the cost-of-stay impact, not just the rate, and ensure travelers are aware of the value of complimentary amenities and use them whenever possible.
    - ii.** Midprice offerings often do not include meals beyond a buffet breakfast, which typically is free to guests, and grab-and-go types of meal offerings. In-house full-service restaurants in midprice properties, especially new builds, are becoming rare, due to the high operating costs of this model to hoteliers.
  - d.** Not all multibrand hotel companies have the same range of brands. Some have brands concentrated only in the midprice and economy categories, while others offer a broader range of options.
  - e.** Even though demand for hotels in small, tertiary markets might be for fewer room nights than in key cities, the more modest number of rooms might not necessarily translate into less negotiating leverage. Buyers may be able to benefit in lower-demand markets with dynamic pricing as best available rates float down.
- 2. Individual hotels**
    - a.** Discounts obtained through volume-based negotiations can be greater when dealing with individual hotels directly than when negotiating chainwide rate concessions.
    - b.** A hotel program for a city can consist of just one preferred hotel or as many as a half-dozen. Normally, the best rates are achieved by limiting the number of properties per city, which will drive more volume to those hotels, assuming you have good compliance to the hotel program. In high-occupancy cities, however, multiple hotels covering multiple brands typically are required to ensure travelers will be able to secure availability at a preferred property. Also, different tiers of hotels might be required to support different business needs, e.g., extended stay versus meeting versus transient.
  - E. Creating a solicitation bid list**
    - 1. Chainwide deals:** Make sure that the hotel chains you select have properties in most of the key destinations your business travelers visit, including international locations.
      - a.** Ensure regional chains' distribution is not too limited to suit your needs.
      - b.** Start by assessing chain representation in your highest-volume destinations, then move into lower-volume destinations in declining order of demand.
      - c.** Ensure that the hotel chains offer the range of brand categories that best meet your travelers' needs.
      - d.** Consider chain location and quality. Negotiate with several for the best deal, and choose at least two to keep rates competitive.
    - 2. Properties in close proximity to the traveler's final destination should be considered.** The organization's facility list mentioned earlier will help with this determination. Know your business and recognize that not all travel is to a corporate location. Other considerations include safety/risk of the area, access to restaurants and shopping or public transportation. Taken together, the "closest" property may not be the best choice.
      - a.** An airport property might make the most sense, for example, because of the easy access it provides in and out of a destination, though consider crime and safety issues in airport locations.
      - b.** However, if your travelers tend to rent cars, the difference between a hotel that is five minutes from their business appointments and one that is a 10-minute drive away might not be significant. In fact, you may get better value by choosing a hotel that is only slightly farther away, such as in a suburban location. Consult your risk department for feedback; having travelers drive longer distances in unfamiliar cities may pose an increased risk.
      - c.** Consider hotels that offer airport and/or local transportation that reduce the need for a rental car. Be sure to consider hotel parking charges. This is especially important with hotels that may host multi-day meetings. If a traveler will be in a multi-day meeting,



having a car sit in the parking lot during those days may be less cost effective than local or hotel transportation.

3. In some cases, it might be wise to choose a range of properties in each high-volume destination: downtown, a suburban location and a site near the airport. Today, multibrand hotel companies tend to think of such gateway cities as New York, Los Angeles, Boston and Chicago as a series of submarkets, and they have multiple properties in each of them.
4. Buyers primarily want to be sure to select properties located where it makes the most sense for their travelers. The analysis of the different travel data sources mentioned earlier will uncover those trends. Otherwise, travelers have more reason to book elsewhere and compliance with travel policy becomes an even greater issue.
5. While most large hotel chains offer loyalty reward programs to travelers, you need to balance this with your organization's goals. Educating your travelers on the travel policy and why it exists as well as understanding your travelers' preference for these reward programs can help you achieve higher compliance to the program. Requesting hotels to guarantee loyalty status matches can help you change brands, should the economics be in the organization's interest. You also may need to factor in the corporate travel policy in relation to travelers' ability to earn and keep rewards points related to corporate business.
6. Individual/independent hotels
  - a. Approach hotels that are:
    - i. In safe areas and located in close proximity to sites travelers visit in key destinations, especially corporate and division offices
    - ii. Willing to offer pricing and services in line with the budget
    - iii. Frequently used by travelers and meeting planners.
    - iv. Consider site visits to independent hotels to ensure quality and safety. Don't rely solely on online reviews.
  - b. A solicitation list should include properties already familiar with the organization's travel patterns. Start by examining data on those properties in each market that your travelers already are booking. If you are working with national account managers for specific chains, you can ask them to submit business cases for specific hotels based on the data you have provided, such as city volumes, type of hotel used and business patterns.
  - c. Before agreeing to a preferred relationship with a hotel, be sure travelers realistically will use the hotel for a reasonable number of annual room nights. A strong, enforced travel policy will help drive greater compliance. Avoid committing to a specific room night volume if possible.
  - d. If your organization has the capability to shift marketshare, consider accepting unsolicited bids in the next year's bidding process from hotels used by travelers when they book outside of policy. These properties may turn out to be the best fit for your program, based on both rate and location, considering that travelers have opted to stay there on their own initiative.
- F. Establish key contacts: After identifying individual hotels and chains for program consideration, contact the right people to get the negotiations started. In the typical hotel, unless there is a corporate transient specialist, identify the sales manager or director who has the authority to negotiate rates. Pre-RFP, email the contacts to confirm the contact name and email address for the hotel. These hoteliers could include:
  1. The hotel's national sales office and general sales office staff
  2. Property-level sales directors or hotel managers
  3. General managers or hotel owners
  4. Regional director of sales
  5. Hotel property management companies as an alternative to or in addition to chain contacts, given that the goals of chains and actual property owners may differ.

## II. NEGOTIATION TOOLS

### A. RFPs

1. When gathering information, consider using as a guideline the standard request-for-proposals format developed by the hotel committee of the Global Business Travel Association or another widely accepted RFP format. GBTA's modular RFP, for example, supports dynamic pricing requests, addresses the needs of the physically challenged and addresses such environmental issues as hotel carbon-offset programs and recycling and water conservation initiatives. Many hotel companies have programmed their internal systems to easily answer the questions in this format.
  2. Several suppliers also provide electronic request-for-proposals tools, often similar to the format created by the Global Business Travel Association. Many hotels already have entered electronic versions of these forms into their computer databases so they can quickly respond to travel buyers' inquiries and ensure the supplied data is accurate. Historically, hotel companies outside the United States faced more challenges in responding to requests for proposals electronically. The gap has narrowed considerably in the past few years. Consider engaging internal or external resources familiar with the local language and culture to assist with optimizing the RFP structure. Such technology can be costly, and typically is charged per hotel, so you should be strategic in narrowing down to hotels where you have a significant volume and can gain savings.
  3. For buyers of programs with many international hotels, confirm with sales contacts that they have the necessary expertise in-house to complete requests for proposals or are prepared to bring in outside support.
- ### B. Consulting solutions
1. Consulting departments within travel management companies can develop corporate hotel programs for a fee.
  2. There are also a variety of con-



sulting firms that can develop corporate hotel programs and/or specialize in managing the hotel request-for-proposals process for buyer organizations. Some of these firms have begun offering post-RFP services to ensure that negotiated hotel rates are fully and correctly loaded, authorized and available to be booked and competitive versus online travel sites.

- a. In some cases, an RFP provider without rate-auditing capabilities will provide scrubbed data to a company that specializes in rate auditing. Such data ensures that the property ID numbers and chain codes provided by the property and accurate.
- b. Each hotel has a different property code for each global distribution system and the correct rate will not be loaded if the appropriate global distribution system code or chain code is either missing or incorrect.
- c. Consider whether it is more efficient and cost-effective for your organization to outsource this process than to do it in-house. This may entail conducting a request for proposals of sorts for an outside RFP provider.
- d. Charges vary widely for the service, depending on the number of cities in the hotel program, whether it is strictly domestic or a combination of domestic and international and the number of hotels in each city being solicited and accepted. Check whether there is an additional charge for unsolicited bid requests after the initial RFP is launched. Additional services might include hotel program performance reporting and program optimization. Buyers should seek recommendations and referrals from colleagues who manage like-size programs when selecting the most appropriate third-party request-for-proposals provider.
- e. If you use multiple GDSs or travel agencies, you may want to consolidate and synchronize rate loading. Talk with your TMC about this option.

**C. Online reverse auctions:** In an online reverse auction, select hotels in a market are invited to bid down prices for a corporate account. The process has proven to be successful in markets with lots of competition and where prevailing local economic conditions favor the buyer. In seller's markets, many or most hotels will not participate, however. Some buyers have reported the technology saved time in the rate renegotiations but, in terms of information gathering, it can be as time-consuming as any other form of RFP mechanism.

- 1. This strategy requires time to plan and set up. It also requires a new mindset, as the "lowest" rate may not be the hotel chosen. You must weigh responses that do not fully match.
  - 2. Bids typically are rate only, and additional work will be required to evaluate whether complimentary amenities would be included in the rate.
  - 3. This strategy also can fracture long-standing relationships, but can be successful if planned and executed openly.
- D. Consider using a "letter of agreement"** with individual hotels and chainwide hotel companies. This letter should include rate information and address any specific requirements requested by an organization. Letters of agreement are concise, much less time-consuming and less costly than the requests-for-proposals process and generally are better received by hotel properties and companies in the negotiation and contract process. Include a letter of introduction with all your requirements in the RFP. You might also have chains call to introduce you to individual hotels. Generally, this is useful in small programs (fewer than 100 hotels), and you still must track the process to effectively communicate the program to your travelers. Thus, it can be time-consuming but might reduce technology costs.

### III. WHAT TO NEGOTIATE

#### A. ROOM RATES

- 1. For many companies, an effective solution to building a hotel program is to supplement negotiated

rates in top-volume destinations with other rate programs that may be appropriate for the multitude of destinations where the organization consumes a relatively small number of room nights.

- a. Most hotel companies offer agency-negotiated pricing that is the same as the best available rate of the day, versus the fixed-rate model. Based on market conditions, rates in this model can fluctuate as often as daily.
  - b. If you have negotiated chainwide discounts, they also can support you in the cities where you have insufficient room nights to negotiate with a specific hotel.
- 2. Identify cities among your top 25 destinations with lower occupancies, average daily rates and revenue per available room than the national norms. The need of local properties to lock in bookings likely will be greater and, therefore, so will your negotiating leverage.
  - 3. New hotels generally offer good value. They are eager to lock in corporate business, precisely because they are an untried entity. Consequently, there is a possibility they will offer below-market introductory rates. In high-demand markets, however, their rates might be higher. Stay apprised of any new hotel openings in your key cities, then request proposed rates from the property-based sales team. Remember that the hotels' location and amenity profile still have to be acceptable to your travelers or they will resist the change and that it can take a while for a new hotel to work out the kinks in its operations. Also, be wary of rate increases in the second year. You might have to switch hotels and end up with dissatisfied travelers. To avoid this, attempt to negotiate a cap on any rate increase for that second year.
  - 4. The industry standard among hotels for corporate or negotiated rates is noncommissionable or net rates, which usually are 5 percent to 10 percent lower than commissionable rates and incur lower taxes. When accepting noncommissionable rates, consider:



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Extended Stay America, the largest company-owned and operated hotel chain with kitchens in every hotel room, features 684 hotels throughout the U.S. and Canada, offering more than 69,000 guest rooms. Making a splash on the New York Stock Exchange as the first hotel-industry IPO since 2009, Extended Stay America is now well into its first year as a publicly traded company.

Extended Stay America has embarked on one of the largest renovation and rebranding initiatives in the extended-stay hotel industry. The brand offers more renovated hotels than some competitors have available in their entire chain. With more than 50 percent of the company's portfolio fully renovated, upgraded properties take on a contemporary look with redesigned guest rooms and expanded ame-

nities, including fully equipped in-room kitchens. Catering to a diverse segment of business and leisure travelers as well as corporate clients, Extended Stay America provides today's savvy business traveler with practical amenities at an affordable rate offering "a kitchen, a great price, the hotel that's just right."

## For the Savvy Self-Sufficient

Extended Stay America understands that today's business traveler seeks to enjoy all the comforts of home with convenient and functional amenities. Based on guest research and a forward thinking business model, Extended Stay America's renovated properties focus on providing business travelers an enhanced experience including spacious suites, free WiFi, flat screen TVs with premium cable channels and fully equipped in-room kitchens so travelers can skip fast food and empty calories while away from home.

Designed to help travelers maximize their fully-equipped kitchens, Extended Stay America also offers the "Away From Home Cooking" in-room cookbook created in partnership with Food Network™ Host, Sunny Anderson. The cookbook features 24 travel-friendly recipes and supermarket shortcuts allowing business travelers to save money by preparing simple home



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Extended Stay America highly values its corporate clients. Preferred partnerships are a critical piece of the company's market strategy and serving this segment is priority.

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## KEYS OF HOPE

Extended Stay America is committed to giving back to the community. With that priority in mind, Extended Stay America has partnered with the American Cancer Society to launch "Keys of Hope," an unprecedented multi-year collaboration that includes a donation of more than 40,000 free and deeply discounted hotel stays to patients who must travel to receive treatment.

The program recently launched nationwide, now providing cancer patients an affordable, comfortable place to stay at 632 hotel locations in the U.S. across 44 states.





- a. If you go with net rates—on which most corporate deals are based, unless TMC or consortia rates are used—you might need to renegotiate your travel management company agreement. Clarify this with your travel management company in advance to get a clear understanding of whether its pricing structure will change if you implement noncommissionable rates.
  - b. Net rates also can impact an organization's revenue, if the organization is receiving all commissions from the travel management company and paying a transaction fee.
  - c. Hotels may offer a discount deeper than the 10 percent commission they save because they avoid commission payment processing and tracking costs.
  - d. If a commissionable consortia rate exists, the net rate should be at least that rate less commissions with a range of -1 percent to 1 percent.
  - e. Discuss other options being made possible by direct links between hotel reservation systems and corporate intranets, through the Pegasus Electronic Distribution Switch or Internet home pages. Hotels are directly connecting to automated booking systems and corporate intranet sites to cut cost, deliver volume and offer marketing opportunities. However, be cautious with these booking methods, as they could dilute your overall hotel data reporting and traveler location tracking capabilities.
5. Confirm that the independent hotels or chains with which you are working make their negotiated rates available through global distribution systems. When your travelers and travel agents can access negotiated rates through global distribution systems, it improves the likelihood that your travelers will be able to book such rates through the proper channels such as the online booking tool, increasing traveler compliance, and provides for more accurate data tracking.
- B. Amenities that will be included as part of the corporate rate.** Midprice properties often include many as a part of the standard rate, but consider what are the critical amenities for your travelers. These might include:
- 1. High-speed Internet access: While most midprice and economy hotels offer free Internet access to all guests, many are moving to a tiered structure in which travelers can access a higher-speed connection at a charge. Upper upscale hotels, meanwhile, traditionally charge for Internet access but increasingly are including it among the benefits in the upper tiers of their rewards programs, and in some cases, for all program members.
  - 2. Breakfast
  - 3. Early check-in and late checkout, or 24-hour check-in
  - 4. Restaurants, bars, mini-bars and room service
  - 5. Meeting rooms
  - 6. Health clubs/fitness centers
  - 7. Business centers
  - 8. Garage and/or valet parking
  - 9. Loyalty program benefits, such as elite status or double points accrual at individual hotels.
  - 10. Cancellation without penalty up to 6 p.m. on the day of arrival
  - 11. No penalty for early checkout
  - 12. If the best available rate floats lower than the negotiated rate, the BAR rate is used
- C. Hotel distribution strategy:** While discount web rates available on some Internet third-party sites or mobile apps initially were intended for leisure travel, business travelers have used these sites as well, searching for bargains. Many of these rates, however, may include significant user rules or restrictions and may not include amenities normally requested by corporate buyers. Hotel chains often have parity rates on their own sites with fewer restrictions.
- 1. The most onerous restriction, given the last-minute itinerary changes often affecting business travel, limits travelers' ability to cancel or postpone reservations. Hotel reservations on these sites sometimes are prepaid, so buyers and travelers can get stuck being billed for a hotel room that went unused. Also, unless there is a procedure in place to aggregate data, the organization loses the tracking of the room night, reducing leverage in future negotiations, and loses track of the traveler, raising potential safety and security risks.
  - 2. Regardless of whether your organization's travel policy restricts the booking of these discount rates, buyers should benchmark the rates available online for midweek travel in order to get a true sense of market pricing. If negotiated rates are consistently undercut by web-only rates, the credibility of a hotel program for corporate travelers can be undermined. Some third-party suppliers in recent years have offered tools that compare your negotiated hotel rates with the lowest unrestricted web rates for side-by-side comparisons. Some of these tools allow you to dynamically check your passenger name records with these web rates.
  - 3. Bookings made through third-party leisure sites are unlikely to contribute to any volume projections made with specific hotels or chains.
  - 4. The lowest rate may not be the most cost-effective rate, as negotiated rates often include airport or local transportation, breakfast, Internet, parking and other amenities.
- D. Strategies and terms to address**
- 1. The volume to be directed to the hotels. Agreements often do not spell this out. When guarantees are requested from a hotel, first negotiate to set volume goals rather than guarantees. This is why buyers refer to volume projections rather than commitments of any kind. Avoid volume guarantees unless the discount is significant enough to justify one and the commitment can be met. If a guarantee is agreed upon, ensure a thorough understanding of how room nights will be tracked and reported. The hotel's recourse, if the client fails to perform to its satisfaction, is to reevaluate the negotiated rates, based on actual room night usage, and possibly not renew the arrangement. In





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some contractual arrangements, if an organization fails to meet its room night goal, a hotel may be able to collect the dollar amount equal to the total room rate for the unused rooms.

2. If you hold many offsite meetings, leverage meetings volume with transient or project travel, provided your department has influence over selecting those meeting sites and can drive additional volume to a selected hotel as a result.
3. Historically, hotel agreements lasted for at least one year, but some buyers employ a multiyear strategy. Buyers should be cautious with this approach to ensure that a two-year rate is not inflated to account for the unknown rate of increase in year two.
4. A guarantee that the agreed-upon room rate will remain in effect for 12 months or the length of the contract
5. If the hotel is willing to include a last-room availability clause, mutually agree on its definition. Few hotels define last-room availability as run-of-the-house, meaning any room available in the hotel, which would include suites and concierge floor rooms. Hotels often charge a premium during a seller's market, as it can displace higher-paying business, but in down cycles buyers should be able to get it at no additional charge. In case a hotel asks for a premium, you should request in the RFP process to receive both rates with and without last-room availability so you can make the proper decision. It is vital that you understand how much of the hotel's overall room inventory will be provided in an LRA arrangement. A great rate with highly restricted availability has little value to an organization. It could be smarter to select properties offering higher rates but with greater access to discounted rooms or non-LRA.
6. How reservations will be made for each hotel through a travel management company, a corporate travel department or online booking system and the method of payment for the rooms, including

corporate card. Requiring travelers to get the rate through the online booking tool improves compliance, assures that only approved travelers are accessing the rate and allows for tracking.

- a. Ask your hotel chain representative how they track bookings made by your organization via their website or central reservations phone number. Many global chains track in multiple ways in addition to the organization's name (email addresses, for example). Reviewing hotel chain production data helps identify gaps in your own travel data.
- b. A corporate identification number may be needed by each traveler to make reservations.
  - i. More likely, the hotel will have the rate recorded by organization name if the traveler books direct or walks in. If travelers book through the designated travel management company, however, the corporate booking code should be included in the global distribution system. It is extremely important to promote hotel bookings via the designated travel management company and self-booking tool to ensure that hotel spend data is fully captured and that commissions, if applicable, are fully collected.
  - ii. As a backup, be sure travelers know what the negotiated rate or discount percentage is and that they should request it. Travelers should be careful to identify their organization when making the reservation and at check-in to ensure they get the negotiated room rate and so their stay counts toward fulfilling the volume projection the organization made during negotiations. The negotiated room rate should be included in the corporate online booking tool or global distribution system. Some hotels will not honor the negotiated rate for walk-ins or call-in if the buyer's organization mandates online or agency bookings to

help drive policy compliance.

- iii. Similarly, travelers should know what value-added amenities, if any, have been negotiated on their behalf, so they can avoid paying for services to which they are entitled on a complimentary basis. New technology is emerging that reminds travelers via their smartphones or email not to pay for services that have been included in negotiations.
7. Consult with your risk management department to set standards for the types of safety and security systems your organization expects preferred hotels in the program to have in place. Considering the organization's potential liability should a traveler be injured, it may be advisable to review all appropriate safety and security concerns with your corporate counsel in advance of finalizing any hotel agreements. Safety is one of the best reasons to mandate the booking of all hotel rooms through the corporate travel agency. Complete passenger name records are pushed to travel risk management companies so that travelers can be tracked for both airline and hotel use.
8. Minimum discount off corporate or consortia rate
9. Enrollment in the hotel's frequent guest program or an upgrade program for VIP travelers
10. An indication of when preferred rates will be loaded in global distribution systems and when hotels that weren't accepted into the program will be pulled out of the global distribution systems. Understand what steps will be taken if the rates are not loaded by that date or if non-preferred hotel rates are not removed by a given date.
  - a. Responsibility for rate loading usually lies with properties if you have negotiated at the property level, and with the national account manager if you have negotiated via the representation of the national account manager.
  - b. Also, indicate when decisions will be made by the organization for the RFP process so that



your suppliers will have ample time to load rates prior to the beginning of the booking cycle. Allow for additional time or a cushion period to protect against delays in the decision-making process. Evaluate whether you will authorize pre-loading of rates. This may allow rates to be available on a timely basis for your travelers, but also requires pre-loaded rates from hotels that were not accepted to be removed. Also, consider requiring hotels to honor negotiated rates through a certain date in the following year to provide flexibility when finalizing the next set of contracts.

11. Having the negotiated rate available through the hotel chain's toll-free reservation number or website
12. Cancellation policy
13. Project rates
14. Corporate meeting rates or transient meeting rates available for small groups of a defined number.

15. Early departure fees
16. A statement on the mandates included in the hotel policy and how compliance is enforced
17. Special weekend and/or holiday rates that employees can use for their personal leisure travel; guarantees that hotels will lower the negotiated rate at or below the special rate and honor all amenities negotiated in that special rate
18. A clarification of whether the corporate rate will be extended to include consultants, job applicants and other guests. This can be difficult in times of high occupancy and low supply when allowing these travelers access to the corporate rate can limit availability of rooms for the organization's travelers, while not necessarily helping the organization's bottom line. Travel managers also can allow the hotel companies to charge different rates for their suppliers and other travelers, saving the discounted rates for

their organization's travelers.

19. A timetable, should the hotel anticipate undertaking major renovations or remodeling during the period of the agreement. Such projects can become disruptive or inconvenient. Include your potential recourse for disruptive or unavailable rooms.

## IV. COMMUNICATING AND MONITORING THE PROGRAM

Putting together a series of hotel agreements is the first step toward a successful program. The key is to build relationships that will last into the future. Once you have notified hotels that you have accepted or declined their offer—and have signed agreements in hand, be they electronic or actual—the next phase of program management begins: communicating your program to travelers, auditing approved rates to make sure they are loaded properly and monitoring traveler compliance.

- A. Communicating preferred properties to travelers



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1. The use of an online booking tool, if properly set up, will guide travelers to book preferred properties.
  2. Post the preferred hotel directory on the organization's intranet in the middle of the last quarter of the pre-existing program's year so it is available to travelers at the start of the next program year. If your organization's culture allows it, you can consider permitting hotels to advertise directly to your travelers in the directory. Be sure the directory indicates available value-added amenities at each hotel. Proximity to company office, when available, should be included.
  3. Consider online tools that offer deeply discounted leisure rates at preferred properties, accessible via the online hotel directory. These tools can boost an organization's leverage by increasing the type and amount of spend directed to preferred suppliers.
  4. The organization's travel departments or travel management companies should direct business to hotel properties, adjusting as necessary, to ensure that contractually promised room night numbers are reached within the contract period.
- B.** Early in the agreement period, buyers should conduct a rate audit to ensure correct negotiated rates can be accessed in global distribution systems.
1. Implementation
    - a. Rate-loading issues have prompted some buyers to audit rates on a quarterly or monthly basis.
    - b. The agent or tool performing the audit should confirm the ability to book every negotiated rate, including seasonal rates, at the preferred hotels in each global distribution system used by the travel management company. Sometimes, rates do not appear because they are not available on the selected date, not because they have been loaded inaccurately. As such, audit multiple dates and date patterns within a season to ensure confidence that the rates truly are not loaded correctly. Upon uncovering inaccuracies, it is incumbent on buyers to follow up with the offending hotels to have errors or omissions corrected. Conduct successive audits to confirm that the situation is rectified. Again, the audit process should be conducted for a variety of dates, as the lack of hotel availability on a particular date will impact the results.
  - c. Audits also should look for "rate squatters," hotels that are not part of your program but load rates into your GDS anyway. Often, hotels preload rates during negotiations, particularly if they stretch into the next calendar year, and they can neglect to remove those rates if they are not selected for your program. This can be a costly and time-consuming project. Consider auditing your top destinations to validate that squatters are not diverting business away from your preferred hotels.
  - d. "Rate fencing" also is an increasingly common issue. As hotels become more sophisticated in inventory management, they can segregate inventory to close out certain room types on specific nights, leaving your organization's travelers unable to access negotiated rates.
  - e. Have travelers alert you if they are unable to access negotiated rates through your preferred booking method.
  - f. Even though properties might pass rate audits, run ongoing checks for future dates to ensure that hotels keep negotiated room availability open. Local revenue managers on property work to maximize revenues for their property, and part of that strategy might be to close access to your negotiated rate or apply length-of-stay or arrival restrictions.
2. Following up
    - a. Hotel chains or individual properties that fail repeated audits should be given a deadline to resolve the problem or be removed from the program.
    - b. Many hotels have viewed the prospect of being removed from a hotel program because of rate-loading inequities as more of a threat than a reality. Buyers easily can reach an impasse as hotels neglect to adjust the rate loaded into the global distribution system and travelers continue to book the inaccurate rates that remain in the system. Even errors uncovered in a January audit can take months to correct. Much of a buyer's leverage depends on the size of the travel program in question and the importance to the hotel of this particular piece of business.
  - c. Establish a calendar—quarterly is recommended for larger, more complex programs, while semi-annually is sufficient for smaller programs—that sets appointments with hotel sales representatives to review contractual terms and performance. If time constraints prevent more frequent appointments, meeting with hotel representatives once each year should suffice. During the contract term, if the hotel is benefiting from greater than anticipated room night volume, discuss with the property sales manager or chain national account manager the possibility of renegotiating the rate for the current year or a more attractive rate when the agreement comes up for renegotiation. Similarly, if room night production is much lower than projected, hotels may seek to renegotiate for higher rates.
  - d. Solicit feedback on preferred hotels through questionnaires, comment cards or surveys via email or intranet sites. Explore social networking avenues for soliciting traveler feedback. Share feedback with property management. Also get data from travel management companies when complaints have been filed.
  - e. Use data to report on goals you set at the beginning of this process, and consider quarterly reviews to ensure you are meeting them. Keep abreast of market conditions in your key markets to prepare for any impact on your program.

*Prepared by Michael B. Baker, with assistance from tripBam CEO Steve Reynolds and Omni Hotels & Resorts corporate director of travel industry and business travel sales Michelle Simmons. *



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# Working With Car Rental Firms



**THE RENTAL CAR INDUSTRY IN 2014** has seen higher year-over-year corporate demand. Measured by transaction days, demand rose for both Avis Budget and Hertz, 4 percent and 26 percent, respectively, although Hertz's year-over-year volume comparisons were impacted by its acquisition of Dollar Thrifty.

While the industry has predicted increases in car rental rates for the past few years, due to industry consolidation and car rental firms' efforts to negotiate more aggressively during contract renewals, the increases have been modest.

Rate increases are predicted to continue, with Avis Budget forecasting a 1 percent gain in commercial pricing for full-year 2014, compared with 2013. The sophistication of the suppliers' profit modeling continues to improve, making it easier for suppliers to distinguish what their pricing needs to be to retain clients. In addition to rates outlined in corporate agreements, it is key to focus on the total rental costs as ancillary fees continue to increase, both government-imposed and supplier-leveled.

The top three car rental holding companies, including Enterprise, also have diversified their businesses through acquisitions—including Hertz's acquisition of Dollar Thrifty—and expanding into the car-sharing business and new market segments. While many companies will have to decide whether to allow on-demand transportation services like Uber, the infiltration of such consumer technologies could present an opportunity for buyers and suppliers to find solutions that offer travelers the convenience of e-hailing a cab through a smartphone, while meeting a company's safety requirements.

The following are some key points for working with rental car suppliers.

## I. GATHERING DATA

Show potential suppliers as much detailed information as you can gather on past car rental usage by your travelers.

- B. Types of data:** Gather as much information as possible on overall usage and provide breakdowns for cities or areas with high volume.
  1. Total volume, expressed in the number of rental transactions, number of rental days and expenditure level
  2. Average number of miles driven per day and percentage of rentals and rental days that a car drives beyond various thresholds, such as 75,100 and 150 miles
  3. Breakdown by class of cars rented, i.e., compact, intermediate, full-size, two-door, four-door, etc.
  4. Number of inter-city and one-way car rentals, including origins and destinations. Include miles driven and the number of rental days.
  5. Number of weekly, monthly, week-end and one-day rentals
  6. Breakdown of rentals by day of the week, week of the month, and month of the year
  7. Locations where most corporate car rentals have taken place and number of annual rental days in top markets
  8. Evidence of travelers' safe driving records while on company business, particularly if you plan to seek collision damage waiver or loss damage waiver coverage and supplemental liability coverage
  9. All information available on international car rental usage, highlighting usage by country
  10. Percentage of car rentals booked through global distribution systems, travel management companies and online booking tools
  11. Compliance with existing preferred car rental deals
  12. Rentals by those under 25 years of age
  13. Special billing needs, including regional billings, those coded certain ways for tax purposes and the need to track unlimited mileage, and percentage of total that is master-billed
  14. Service requirements, such as automatic check-in, valet parking and non-rental service requirements,



including off-airport parking, car washes, maintenance, global positioning system units and electronic toll-pass devices

15. Data on your organization's accident and loss history, especially if providing it will be favorable to you in the negotiating process
16. Data that show your organization is established and stable with strong and enforced travel policies
17. Suburban locations where the organization has rented vehicles, including number of rentals, rental days and expenditures
18. Number of rentals and expenditures for GPS, satellite radio, roadside emergency services, etc.

## II. SETTING STRATEGY

Organizational culture, travel policy and rental patterns are major factors in determining which car rental suppliers to consider and which contractual elements to emphasize during negotiations. Survey some of your most frequent travelers about their car rental experiences. Here are various types of corporate car rental relationships to consider:

- A. Exclusive nationwide, North American or global contract with a single car rental supplier
- B. Agreements with one primary supplier and one secondary suppliers in case the primary supplier is sold out, cannot provide convenient service or lacks locations in key areas. Secondary providers typically are not needed for clients with a total volume of less than \$1 million annually or those without loss damage waiver and supplemental liability coverage.
- C. A nationwide or North American agreement with one supplier, supplemented by agreements with local suppliers, often providing lower rates in high-volume areas. Determine whether costs will be lower if you give all of your volume to a national supplier or deal with local operators. Small organizations without large national volumes often can do well locally.
- D. One or more agreements for international service. Typically car rental suppliers look for \$50,000 in spend per country before offering lower

negotiated rates. Organizations with less spend likely would be offered either a percentage-off discount or a standard set of business rates.

1. This can be part of a worldwide agreement with your domestic supplier, a separate agreement with your domestic supplier or a deal with a supplier you do not use domestically.
  2. Organizations seeking to negotiate global contracts often already have consolidated with one travel management company internationally.
- E. Look into alternative programs like car- and fleet-sharing for short-term rentals if you are in a participating market. Car-sharing programs or technology that enables the pickup and return of vehicles from unstaffed locations can be beneficial for intra-city travel, and suppliers increasingly are offering such programs in major markets and may even consider placing vehicles at your corporate locations.
- F. Consider different business needs that a rental car provider can fulfill, including fleet management and commercial truck or equipment rental.
- G. Review your company's policy on the use of personal vehicles for company business. This can be a significant hidden expense and can pose a liability risk.

## III. PREPARING RFPS

Based on the data you have gathered and the strategy you have established, create a request for proposals that provides information about your program and details your requirements. Generally, RFP criteria can be summarized into five areas: rental eligibility, vehicle classes, insurance coverage, supplier programs and rates and fees. Not all requests for proposals contain the same elements, but here are some to consider:

- A. All the data you can gather on your historical mileage levels
  1. How will base rates differ under agreements in which mileage is unlimited versus those with a per-mile fee above a mileage cap?
  2. How will planned corporate initiatives, such as acquisitions and cost-savings initiatives, impact

travel spend?

- B. A description of all the supplier's insurance and related products, including base rates, if included
  1. Collision damage waiver or loss damage waiver: A daily fee relieving car renters from responsibility for accident damages and/or stolen vehicles and loss of use of the vehicle.
  2. Personal accident insurance covering injuries to the renter
  3. Personal effects insurance covering loss of the renter's personal property in a lost or stolen rental car
  4. Supplemental liability: An umbrella policy that covers organizations beyond the state's minimum requirements, and covers accident damage to other people and property.
  5. Many large companies self-insure or use insurance provided by their corporate charge card programs. If you have your own insurance, check with your organization's risk management department to be sure it covers car rentals overseas. Even those organizations that have their own coverage may opt to include the supplier coverage if they have no one to administer accident claims that arise.
- C. Details of emergency road service: Is it provided through a national 24-hour service or outsourced to local operators? What charges, if any, are associated with roadside services?
- D. Examples from car rental suppliers of standard and customized management reports provided to other corporate clients. Know what spending and usage information your organization requires.
  1. To what degree can you drill down transactions by name, location and date?
  2. In what formats are management reports provided?
  3. When are reports provided: monthly, quarterly or in another interval?
  4. Is there a cost to obtain customized reports?
  5. Can you get a consolidated report that includes data from all geographic areas?
  6. How can the supplier help your



# ENTERPRISE RENT-A-CAR & NATIONAL CAR RENTAL

Enterprise Rent-A-Car and National Car Rental offer competitive rates, broad market coverage, the right vehicles and the tools that travel managers need to satisfy both travelers and the corporation.

For over 50 years, Enterprise Holdings has led the way in providing business travelers everything they need. Two great brands—Enterprise Rent-A-Car and National Car Rental—give businesses the service, value and convenience they expect from a company they've come to know and trust.

National Car Rental has long been favored by frequent renters at airports for speed and vehicle choice. Enterprise Rent-A-Car is the first choice for business travelers who need to rent near their home or office while providing their company savings.

With these two brands, travelers receive the most comprehensive business rental solution in the marketplace.

## National Car Rental

A pioneer in corporate accounts, National Car Rental remains the primary Enterprise Holdings brand for corporate clients. As members of National's Emerald Club, business travelers can bypass the rental counter and select their own vehicle without stopping for paperwork.

- Premium, award-winning brand serving the daily rental needs of the frequent airport traveler, who is seeking choice, convenience and time savings for business trips
- National introduced the car rental industry's first comprehensive frequent-renter program, "Emerald Club"

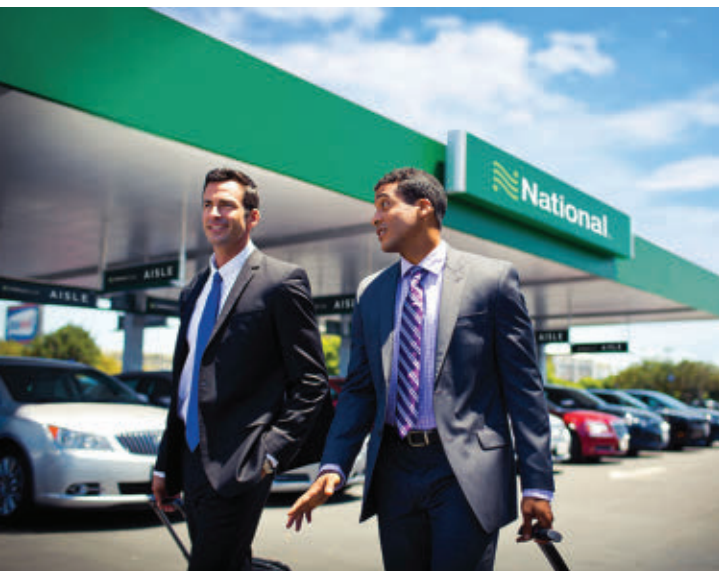
- Named Best Rental Car Company in North America for 2012 by *Business Traveler* magazine
- National was recognized as best overall car rental service by *Executive Travel* magazine
- Ranked highest in rental car customer satisfaction among North American airport rentals in the J.D. Power 2013 Rental Car Satisfaction Study
- Scored highest in the car rental industry in the 2014 Forrester Research Customer Experience Index

## Enterprise-Rent-A-Car

Enterprise-Rent-A-Car offers corporate clients the most neighborhood locations and excellent value for their travelers and organization.

- More than 5,500 neighborhood and airport branch offices located within 15 miles of 90 percent of the U.S. population
- Known for affordable rates, neighborhood convenience and outstanding service, including picking up local customers at no extra cost
- Locations throughout North America and much of Europe

Enterprise leads the way in providing business travelers everything they need.





### Focus On Customer Service

With the complexities inherent in travel, business travelers can rely on both brands to support them with their commitment to customer service.

This year, Enterprise Rent-A-Car and National Car Rental brands were recognized as J.D. Power 2014 Customer Champions. The brands are two of only 50 brands to earn this distinction, earning accolades for its people, presentation, process, product and price.

### Loyalty

Membership in National's Emerald Club delivers additional customer benefits targeted to business travelers. Bypassing the rental counter, choosing among multiple vehicle types, Drop & Go<sup>SM</sup> and a choice of reward options that includes free car rental days, frequent-flier miles or hotel rewards.

Through National's partnership with Enterprise, Emerald Club members can choose

to rent at Enterprise and earn more credits toward their free days. In addition, several levels of Emerald Club membership allow very frequent travelers to earn additional benefits to make their business trips more comfortable and hassle-free. Learn more at [www.emeraldaisle.com](http://www.emeraldaisle.com).

### Committed to Corporate Market Coverage

Business travelers in North America already rely on Enterprise and National to deliver service and support for their trips. They are aggressively expanding offerings with the business traveler in mind. After a major pan-European expansion program,



Enterprise Rent-A-Car has grown into one of the largest European car hire networks, covering more than 20 countries from Turkey in the east to Ireland in the west.

Focusing its efforts on the business travel market, Enterprise has a fleet of more than 100,000 vehicles and operates from more than 1,000 branches throughout the continent. The Enterprise brand is currently available in such countries as the UK, Germany, France, Spain and Italy, among others.

In the later part of 2014, Enterprise will become operational in Switzerland, Norway and Sweden. The company is committed to continuing its expansion program to better serve its corporate customers.

### Find Out More

For more information on preferred partnerships with Enterprise and National, call (877) 439-4504 or point your browser to [www.enterpriseholdings.com/BTN](http://www.enterpriseholdings.com/BTN).

## AGILITY & INNOVATION

In 2013, National introduced its mobile app, enabling Emerald Club members to access and manage car rental activities while on the road.

- **RENTAL TRACKING** – Used to track all of an Emerald Club member's reservations and where a member is in the process of each rental, and gives the user options to modify any feature, including car class, arrival time or day and payments. Members also can receive EmeraldAlerts<sup>SM</sup> – communications that include Arrival and Return Alerts, and Drop & Go<sup>SM</sup> service with convenient eReceipts – directly through the app.
- **THE "VIRTUAL AISLE"** – Used for locations that can't feature a full Emerald Aisle experience, a mobile "Virtual Aisle" allows business travelers to choose their rental vehicle before arriving. Using the app, users can see the real-time inventory then choose and reserve the specific car they wish to drive. Virtual Aisle is currently available at select locations.
- **EMERALD CLUB PROFILE MANAGEMENT** – Used to update member profile information, review reward status, book free rental days, and access a virtual Emerald Club card. Push notifications let members know if their payment or license information is out of date.
- **RENTAL LOCATOR** – Used to locate each of National's more than 300 North American rental car facilities and "click to call" for immediate reservations and bookings.
- **ROADSIDE ASSISTANCE** – National customers currently driving a National rental car can use the contact section of the mobile app to directly reach Roadside Assistance should it be needed.





organization identify variances from policy?

- E. References from customers with comparable volume and location to yours, as well as from accounts no longer using the company as its preferred supplier
- F. A list of the supplier's outlets near your major locations and in destinations that together represent at least 50 percent of your total rental volume. Consider off-airport locations with lower prices and fewer surcharges. Also, obtain a list of franchised versus corporate-owned locations, and outlets that do not participate in corporate negotiated rates, rebates and and/or coverage.
- G. A list of airport locations that the car rental supplier indicates are on- and off-airport, including types of express services offered at each location. Also, list airport locations by mode of conveyance from terminal to rental counter and then to vehicle. This will have an impact on speed and service.
- H. A list of all surcharges for high-cost cities or for one-day midweek rentals
- I. A list of supplemental charges by location, including taxes, other local surcharges, off-airport access fees or on-airport concession fees. Buyers should get a breakdown of all charges that are government-imposed and/or charged by the supplier.
- J. Request fixed refueling rates.
- K. Many car rental suppliers offer special rental services, enhanced programs and clubs for VIP travelers and frequent renters. Ask suppliers to describe any such programs. Factors to consider:
  - 1. The maximum number of VIPs that an organization can enroll
  - 2. Benefits such programs offer
  - 3. Whether such VIP programs would drive travel policy compliance
  - 4. Extra fees for loyalty miles earned on rentals
  - 5. Whether there is a cost to the buyer for such programs
  - 6. Whether the supplier has affiliations or partnerships with airlines, hotels or other corporate travel suppliers for frequent flyer or other loyalty programs
  - 7. Enrollment methods: can travelers enroll electronically?
- L. A description of safety enhancement programs and vehicle safety systems
- M. Information on the average age of the fleet and time after which cars are returned to manufacturers or resold
- N. Details on fleet size to assess availability issues
- O. Information on the financial health of the supplier and its ability to provide the fleet and services you require
- P. If availability has been a recurring problem, ask the car rental company for a "guaranteed availability" clause that will ensure employees will get a car, regardless of day, time and location.
- Q. Investigate the technological capability of suppliers regarding access to rental inventory and reservations, including options to book directly with the supplier.
- R. Special programs, such as onsite fleets, one-way car rental rates from the airport and one-way flat rates between certain cities.
- S. Ensure suppliers define "upgrade," as some consider satellite radio an upgrade while others define it as a better vehicle type.
- T. Technologies available to renters. Does the provider offer global positioning systems, satellite radio availability, wireless connectivity, electronic vouchers and cars installed with electronic toll payment devices?
  - 1. Can such amenities be worked into a negotiated rate?
  - 2. Does the car rental company use such devices to monitor traveler whereabouts or enforce speeding violations?
- U. Request a list of participating locations. Not all car rental locations participate in corporate rate or insurance programs.
- V. Ask about the availability of hybrid, flex-fuel or high-fuel-efficiency vehicles. Hybrid vehicles can be significantly more costly to rent.
- W. Consider whether the car rental company has an alliance with a chauffeured transportation company. If so, what benefits can be derived from that partnership, and what are the requirements to receive them?
- X. Understand the procedures and technologies the car rental company

offers to expedite the pickup and return of vehicles. Are these available at all or select locations?

#### IV. NEGOTIATING

Currently, the most popular concessions are discounted base daily rates, unlimited mileage, premium club memberships and insurance coverage. To a lesser degree, concessions for which corporate buyers also can negotiate include some surcharges, weekly and monthly discounts, upgrades, waiver of drop-off charges and elimination of add-on charges for one-way rentals and free delivery of vehicles to headquarters or the organization's other office locations. It is critical to understand your actual car rental usage to understand the total value of the contract terms offered. Type of car rented, day of week, length of rental, rental city and whether the car was taken one-way or round-trip can affect price. Here are items open for discussion:

- A. All corporate agreements have a fixed rate per day for each car class.
  - 1. Discuss with the car rental company what will happen should any rates be published that are less than corporate negotiated rates. While some suppliers automatically honor the best available rate, others don't. Ensure this circumstance is addressed in the corporate agreement. If a lower non-corporate rate is taken, will the supplier include your corporate coverage and other benefits?
  - 2. Ensure your travel management company will search for best-available car rental rates.
- B. Unlimited mileage rates versus rates with a mileage cap: Most companies opt for flat rates with unlimited mileage. Of those corporate contracts with a mileage cap, many set a limit of 75 to 150 miles per day, with 100 miles being the standard. Per-mile charges starting at about 25 cents are assessed on top. Do not have your travelers pay the higher unlimited mileage rate if they drive an average of 50 miles or less per day.
  - 1. Relying only on averages can be deceiving, because rental cars driven only a few miles distort the averages. Identify the percentage of car rentals and rental days exceed-



- ing 100 miles, with geographical breakdowns.
2. Consider the availability of "time and mileage" agreements, which involve low daily rates but per-mile charges starting from the first mile.
  - C. Special rates in cities where you have high volume and/or special rates for weekly, monthly, multi-monthly, partial-day, hourly and one-way rentals
  - D. One-day rental surcharges: On which days of the week do they apply, in which seasons and in which locations? Mitigating high midweek surcharges could lead to substantial savings.
  - E. City surcharges, assessed on top of the daily contract rates in key travel destinations where costs are high
  - F. The term of the contract and specified limits on annual rate increases
  - G. The extent to which suppliers will add international car rental volume to domestic volume for the purposes of establishing worldwide rates. The success that is possible from leveraging the organization's international car rental mix will depend on suppliers, volume, the international proportion of the volume and the international locations that travelers frequent.
  - H. Free rental days in exchange for specified numbers of paid rentals
  - I. Data to be provided in management reports and the preferred presentation format and frequency: Is detailed data on your spend provided electronically in real time?
  - J. Free or reduced-rate collision damage waiver or loss damage waiver coverage, if corporate travelers are not covered by other insurance.
    1. At least a minimum amount of coverage is required. The standard amount for years has been \$100,000 coverage per person, up to a total of \$300,000 per incident, in addition to \$25,000 for personal property.
    2. Several car rental suppliers have lowered coverage to minimum levels allowed under state statutes.
  - K. Rate concessions based on your organization's commitment to building volume: Consider tightening your corporate travel policy to mandate use of preferred suppliers or cover international travelers, making changes to your corporate booking tool to steer travelers to preferred suppliers, linking the car rental company to your corporate intranet and/or broadening your program to include fleet replacement or other services.
  - L. Discounts for safe-driving programs
  - M. Rebates and/or incentives for meeting or exceeding contract goals
  - N. A mileage radius within which your organization's travelers can pick up a car at one location and drop it off at another location at no additional cost
  - O. Special shuttle rates if large numbers of travelers drive between two specific cities
  - P. A grace period after the stated end of the rental period during which a car may be returned at no additional cost to the organization.
  - Q. Free upgrades to higher car classes when available, and free delivery of rental car and/or drop-off
  - R. Provisions for employees under age 25, who normally are charged higher rental rates
  - S. Procedures for central billing of car rentals by non-employees, including job candidates and consultants
  - T. Whether the supplier provides the option to refuel at market prices, plus a reasonable mark-up. If not, discuss reduced refueling charges, specifically negotiating a reduced price per gallon or, for international markets, price per liter. Having travelers fill the tank before returning their cars is the least costly option, but if your internal data shows travelers regularly are paying the higher price for not doing so, negotiate a reduced price per gallon for gas into your base rate. It is best to address this up front.
  - U. Find out if your organization has an above-average accident and loss history and, if so, let the supplier know. Suppliers may request this information in any case.
  - V. Require suppliers to allow audits of completed rental transactions and reimburse you for charges that do not conform to your contract. Don't let suppliers assess penalties for requested billing adjustments that turn out to be unwarranted.
  - W. It's advisable to negotiate with the car rental company to reduce or eliminate blackout dates, depending on an organization's spend and ability to shift volume. Otherwise, get a list of blacked-out or sold-out dates and cities for the upcoming year. This will help calibrate service expectations and allow travel managers to notify travelers in advance. Additionally, get a list of locations/dates for which vehicles will be available, but your corporate rates will be blacked out.
  - X. If your travelers rent navigational devices or toll passes, request a daily discount and/or maximum charge per rental.
  - Y. Evaluating a bid
    1. Assess the components that are most important to your organization and use a grid that gives more weight to those responses.
      - a. The most common factors other than price to consider include service quality, domestic geographic coverage, airport location and the speed of rental and return processes.
      - b. Also consider international geographic coverage and report capabilities. Delivery and collection of vehicles is common in Europe, and therefore supplier locations are key.
    2. Research the car rental supplier's financial stability to help determine its overall ability to deliver. Consider any changes that may be a consequence of industry consolidation. Assess the company's ability to provide continuing levels of service, reporting capabilities, rental car availability and other aspects of the rental transaction. If your car rental company is in partnership with a chauffeured transportation company, see if there is an opportunity to negotiate a bundled program and in which regions such options are available.

*Prepared by JoAnn DeLuna with assistance from Adelman Travel global services manager Dawn Fischer, Carlson Wagonlit Travel global project manager of ground transportation Doyle Gunnell, Advito vice president and principal George Odom and Christopherson Business Travel business travel executive Rose Pylidis. 🌐*



# Working With Chauffeured Car Providers



**WHILE SOME SOURCES** estimate spending on chauffeured transportation accounts for between 2 percent and 5 percent of a typical organization's total travel costs a well-managed, comprehensive program can pay off, both through reduced costs and the increased comfort, convenience and security for travelers.

Additionally, recent changes to the ground transportation supply chain have grabbed some travel managers' attention. This year already has featured a merger of two of the largest U.S. chauffeured transportation operators, as BostonCoach parent Marcou Transportation Group in March acquired Dav El Chauffeured Transportation Network. Meanwhile, app-based car service providers like Uber and Lyft are changing the way some travelers book, disrupting an already fragmented sector. Travelers' use of such tools could further complicate efforts to obtain meaningful spend and usage data on chauffeured car services.

The following are points to consider when negotiating with chauffeured transportation companies.

## I. GATHERING DATA

Because the dollars spent on car service often are more difficult to quantify than in other travel segments, present as much data as possible to potential suppliers.

- A. Sources of data:** Obtain usage statistics from one or more industry sources.
  1. Corporate card data can provide total charges by using merchant category codes. However, some suppliers lump car services in with car rentals and taxis.
  2. Car service companies can provide data on actual spend for the prior year.
  3. The corporate accounting department may be able to provide the percentage of travel and entertainment expenses that are spent on taxis, parking reimbursement and car services. Expense report systems can report on this if companies book this to a specific AP code.
  4. Some third-party suppliers can provide competitive bidding data.
  5. Travel agencies can provide an estimate of car service usage by counting air segments booked without a rental car. However, this also would include travelers using personal cars, taxis, shuttles or public transportation, not just chauffeured services.

- B. Types of data:** Gather as much information as possible on your organization's overall use, including locations with high volume.
  1. Total volume: Gather total car segments. A typical trip contains four segments, to and from the airport at each end.
  2. Locations: Include frequent destinations, organization offices and international locations for a multinational agreement.
  3. Special billing needs: Include the types of reports needed, cost center or case number data and whether to use direct bill versus credit card billing.
  4. Average length of trips and use of flat versus hourly rates
  5. Types of vehicles: sedans, limos, minivans or buses
  6. Vehicle use by individuals and groups
  7. Special events requiring car services
  8. Service requirements, such as wireless Internet access, newspaper, refreshments or other amenities, driver requests, vehicle type, car color, alliances with air or hotel loyalty programs
  9. Methods of making reservations: by phone, global distribution system, third-party or supplier website or direct link with supplier.

## II. SETTING STRATEGY

Analyze patterns of traveler usage of sedan and limousine services in consideration of one of the following arrangements.

- A.** Exclusive nationwide or global agreement with one supplier, using corporate-owned locations, licensees and affiliates
- B.** One nationwide agreement with a primary supplier, supplemented by agreements with local suppliers
- C.** Agreements with two or more suppliers at a location, creating competition that could result in better service and pricing
- D.** An outsourced approach, using a service provider to manage suppliers, accounting and reporting



### III. PREPARING AN RFP

Weigh your priorities and create a request for proposals that details your requirements. Determine the level of chauffeured transportation your business requires, as suppliers in the segment span from low-cost providers to premium operators. Keep the RFP simple to make analysis more efficient, and note that suppliers may not respond to RFPs focused too heavily on rate alone. RFP samples can be obtained through travel management companies, consultants and/or industry associations. Allocate a proper amount of time for suppliers to provide a meaningful response. Consider including:

#### A. Provider profile and background

1. How long has the firm operated?
2. How many locations does it own?
3. How many affiliates, licensees or franchisees does the firm have?
  - a. How are affiliates selected and quality standards maintained at these locations?
  - b. Do licensing, training, security and drug testing procedures apply to drivers at affiliated or licensed locations?
  - c. What is the resolution process for problems with affiliates? What is the average response time for resolutions and/or billing issues?
  - d. Will the company share with customers direct contact information for affiliates, franchisees and licensees?

#### B. Fleet information

1. What is the size of the active fleet and the breakdown of makes and models of vehicles?
2. What is the average and maximum age of cars in the fleet and average and maximum mileage? At what point are cars retired from the fleet?
3. Describe the company's maintenance program, including frequency of inspections, washings and maintenance and whether an audit of inspection reports is permitted.
4. Are cars equipped with global positioning systems and emergency road service systems?
5. Are hybrid, electric or alternative-fuel vehicles available?

#### C. Driver information

1. Describe the hiring of chauffeurs.

Are background and security checks and drug and alcohol tests performed? How often are those tests performed? If a global bid, how do these background checks vary in other regions?

2. What are the driver training and safety requirements? Are chauffeurs tested upon completion with a written or road test? Do chauffeurs participate in a certification program? If so, is the program administered by a third party?
3. Does the company review licensing reports regarding their chauffeurs to assess any violations?
4. Are chauffeurs licensed under a local jurisdiction?
5. Are chauffeurs employees or independent contractors? Are independent contractors allowed to sublease their cars to others?
6. Are chauffeurs allowed to work double shifts?
7. Are chauffeurs required to be fluent in English, the language of the country where service is offered, or other languages?
8. In how many reportable accidents were chauffeurs involved last year?
9. What is the average tenure of chauffeurs and turnover rate?
10. Are armed driver services offered?

#### D. Insurance requirements

1. What levels of insurance does the company have?
2. What is the name and address of the principal insurance carrier? Ask for a copy of the certificate of insurance.
3. Work with your organization's risk department to determine level of coverage needed.
4. Request copies of the company's insurance certification, including:
  - a. Automobile, including owned, non-owned and hired vehicles
  - b. Commercial/general liability
  - c. Statutory worker's compensation
  - d. Umbrella liability
5. What is the minimum insurance requirement for chauffeurs? Are they required to purchase it, and, if so, from the company's insurance firm?

#### E. Reservations

1. Which passenger data are requested and maintained?

2. Are reservations taken by phone, global distribution system and/or online?
3. Can reservations be processed 24 hours a day, seven days a week through all channels?
4. What percentage of total reservations are booked online?
5. What specific capabilities and advantages does your online booking system provide?
6. What is the average call length?
7. What is the average tenure of reservation staff? What type of training, quality monitoring is in effect?
8. Does the company have a voice or computer dispatch system?
9. Are its computer systems integrated? Ask for information on the system for reservations and dispatch.
10. In what manner are rides confirmed before pickup?
11. Are flight delays, cancellations or changes monitored?

#### F. Rates

1. Does the company charge a flat rate or an hourly rate? Do pricing models vary by location? Do charges begin when the passenger is picked up, or when the driver leaves the lot?
2. If it charges a flat airport rate, is the amount the same for departure and arrivals? If not, what is the difference? Does the rate have an hourly minimum and/or maximum? What type of rate kicks in after the limit? Does the company charge other airport fees? What are the wait fees? Does it provide airport terminal meet-and-greet services? Do in-terminal airport pickups incur additional charges? How long do chauffeured cars hold for domestic and international arrivals?
3. Understand the full range of potential surcharges levied by suppliers. Which surcharges are negotiable, which can be waived and how are they assessed? It is highly recommended that you build into your agreement a surcharge advance notification clause. This requires your ground supplier to advise you in writing a certain amount of days prior to the introduction of any surcharge.



Language that gives you an early out or termination should also be included in case you want to source another more cost-effective supplier. Suppliers can charge surcharges for the following:

- a. Fuel
  - b. Out-of-town, late-night, weekend or holiday service
  - c. Time of day for early or late pickup
  - d. Waiting time
  - e. Tolls
  - f. Airport parking
4. Are there any reservation-processing fees?
  5. What is its international pricing? Are there extra mileage charges or high tax rates at overseas locations?
  6. Does the company levy ASAP request fees?
  7. What are the extra charges for special vehicles?
  8. For how long are rates guaranteed? Many companies stipulate that rates must be guaranteed for 120 days.
  9. Are volume-based discounted rates offered? If so, what are the thresholds?
  10. Are upgrades or discount coupons negotiable?
  11. How are chauffeur tips handled?
  12. Request that quotes be broken out with a base rate, taxes, tolls and gratuities.
- G. Billing**
1. Can the company bill electronically? With what software and in what formats are spending data transmitted?
  2. Can it provide reports that reflect usage patterns? In what format? How can the data be sorted?
  3. What is the standard timeframe for billing and payment?
  4. Overseas, is billing available in U.S. dollars?
  5. Does the company provide central billing account features? Are credit card or charge card acceptable forms of payment? If so, which details are broken out on card statements?
- H. Other services**
1. Does the company offer a VIP program? If so, describe it.
  2. Is it allied with airline or hotel loyalty

programs? If so, determine any soft-dollar benefits the frequent customer program provides the traveler.

3. Does it provide meeting services? If so, does it assign onsite dispatchers? Is there a charge? Are any other special services available, such as employee pooling or special multi-city business trip support?
  4. How does the company handle passengers who are more than an hour late, or don't show up at all? What charges are imposed? How would the company communicate the situation to the passenger and the corporate travel office? How long will the driver wait if the passenger, reservationist or travel office cannot be reached?
  5. Does the chauffeured transportation company have an alliance with a car rental company?
  6. How is the company implementing environmental or corporate social responsibility initiatives?
- I. Customer service**
1. How is quality managed? Is there a formal customer service program? When is it available?
  2. How does the company provide indemnification—a complete description of what is covered and how any dispute will be resolved? How many employees handle customer complaints? What is the timeframe for resolution of complaints?
  3. Is a manager assigned to the corporate account?
  4. What mechanisms does the company use to measure customer satisfaction? Can it provide weekly records for all rides?
- J. Company protections**
1. How does the company protect the data privacy of its clients? Does it describe what constitutes a breach of privacy, and how it will be remedied if it happens?
  2. Is the supplier's commerce system compliant with Payment Card Industry standards?
  3. How does the company protect clients from a change of ownership?
- K. Request references from customers with comparable volume and needs.**
- L. Describe any new technological,**

fleet, service or operations enhancements the firm is planning.

- M. In-car amenities:** Chauffeured transportation providers in recent years have added such offerings as wireless Internet connections, satellite television and radio, and even bulletproof exteriors.
1. What amenities are offered to passengers? Do such offerings come standard with all cars?
  2. What charges are associated with such offerings?
- N. Consider an onsite visit, ideally at a location where your volume is highest during peak hours, to check the availability of cars, level of maintenance, types of technology used and professionalism of dispatchers and drivers.**
- O. Consider setting up a pilot arrangement with the supplier for a limited period of time to test service and performance, including the billing mechanism and problem-resolution process.**

#### IV. EVALUATION/IMPLEMENTATION

Keep in mind your organization's service needs and budgetary limits. Weigh the true value of a supplier: Some suppliers will negotiate discounts, while others prefer to offer added services, such as an onsite representative or an account manager. Be sure the supplier will assist you in implementing the program and that the sales team provides support.

- A.** If selected, how much time would the supplier require before fully implementing? Request a detailed implementation plan that identifies the major tasks, dependencies and timeframes required to implement the services.
- B.** Ask that any additional costs associated with implementation process be fully disclosed.
- C.** Some providers have a special implementation team. Determine who is responsible for the tasks at hand.

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# Selecting A Corporate Payment System



**AS MOBILE AND VIRTUAL SOLUTIONS PROLIFERATE**, the payments industry is fast evolving to provide business travelers and travel managers new levels of convenience, security, integrated data capture and reconciliation. While the many new technological advances and increased threats can be overwhelming, at its core a corporate payment program simplifies for travelers the process of paying for company expenditures, while providing travel managers detailed data that can be used to enforce compliance and to negotiate supplier discounts. Card programs also can provide company rebates, time savings by prepopulating card charges into an integrated expense system and security management by tracking employees based on purchases. Establishing a corporate card program is complex, but the following steps can help determine which and how payment system providers can best serve a corporate travel program's payment needs.

## I. ESTABLISH OBJECTIVES

Understand the values and objectives most important to senior executives, particularly those in finance and accounting departments. Below are some attainable goals:

- A. Improve financial and administrative processes and maximize travel cost savings through data and negotiations.**
  - 1. Secure rebates on spending volumes and control/reduce bad debt by cardholders
  - 2. Leverage consolidated card spend for air, hotel, car and meetings
  - 3. Reengineer travel expense reimbursement procedures and efficiencies
  - 4. Improve cash management, extend float and reduce/eliminate cash advances
  - 5. Improve and bring uniformity/speed to the processes of paying and accounting for travel, fleet and/or goods and services
  - 6. Streamline accounting and reconciliation methods
  - 7. Enhance the management of currency exchange
  - 8. Evaluate and facilitate value-added and goods-and-services tax refund filings
- B. Improve policy compliance and noncompliance monitoring**
  - 1. Reduce expense report fraud
  - 2. Track preferred supplier usage

- 3. Implement/improve data reporting tools
- C. Increase traveler productivity and support**
  - 1. Reduce time required for completing expense reports with automated line item uploads in expense tool.
  - 2. Provide en route services to travelers, including travel accident insurance, baggage insurance, car rental insurance and emergency assistance
  - 3. Provide standardized business controls
  - 4. Provide data via mobile devices.
- D. Enhance management data**
  - 1. Commercial card programs electronically provide actual expense data made available in a central database.
  - 2. Compliance with global tax and Sarbanes-Oxley regulations
  - 3. Electronic data transfer eliminates duplicate entry and provides greater fraud controls.
  - 4. Reports by merchant category code can identify use of preferred and nonpreferred suppliers.
  - 5. Reports increase expense management efficiency and identify new negotiation opportunities.
  - 6. Commercial card data can be imported into electronic contract management tools that monitor usage of negotiated rates and volume discount thresholds.

## II. PROGRAM EVALUATION

- A. Establish a cross-functional team** typically comprised of travel, payroll, finance, accounts payable, HR, legal, procurement, internal audit, IT, security and treasury. Identify a senior management sponsor.
- B. Determine the requirements of the payment program**
  - 1. Number and location of travelers who will use the card (including frequent travelers, especially those who travel internationally, and senior executives)
  - 2. Spending by category: air, rail, hotel, rental car, limousine, meals, entertainment, dues and others
  - 3. Geography
    - a. Determine estimated charge vol-



- ume and potential cards in force for each country/region
- b.** You may need to consider whether one issuer or more is required to issue cards in all countries with significant employee populations, and in local currencies.
- c.** Also consider how implementation and ongoing service would be provided to each country and in which languages.
- d.** Understand local cultural rituals, language issues, labor union regulations, acceptance, currency and other laws pertaining to card liability, employee data privacy and card issuance in each country where cards are to be issued.
- e.** Recognize the degree to which global data consolidation will be required.
- 4.** Issuance and usage policies (mandates versus guidelines, allowing or disallowing personal use of corporate card, etc.)
- 5.** Billing, payment and liability options
- 6.** Interfaces with other front-end and back-end systems
- 7.** Data consolidation specifications
- 8.** Reporting and reconciliation specifications, including financial closing requirements and timing
- 9.** Types of card products required
- 10.** Consider how to take advantage of payment innovations, including those made possible by smartphone technology.
- 11.** Bidders need client-held days to price the bids. Provide client-held days averages, with department breakdowns if available.
- 12.** ATM accessibility and foreign currency requirements
- C.** Establish the process.
  - 1.** Describe the organization's culture and readiness for a new or changed card program, including any variances by country.
  - 2.** Outline criteria for success. Consider such program factors as acceptance/utility requirements, technological capabilities, service structure and support and consulting expertise in addition to financial offers.
  - 3.** Detail contract requirements, including organizational and country-specific privacy policies and language that ensures the organization owns the card data.
  - 4.** Consider an automated request-for-proposals tool
  - 5.** Consider holding a pre-bid conference, if practical.
  - 6.** Set times for issuing documents, developing proposals, reviewing and making final decisions—usually more than a 90-day period. Include key dates within the RFP.
  - 7.** Schedule presentations and technology demonstrations. Consider a two-step process in which only finalists are asked to present.
  - 8.** Obtain client references, perhaps those with similar travel patterns, industry sector, spend, size, policies and geographical coverage.
  - 9.** Determine selection criteria and list in sequence of priority, such as financial, reporting, acceptability and implementation.
  - 10.** Identify elements for review. These should track to the RFP sections and questions asked of the bidders. Financial sections should be separate and show rebates and thresholds for earnouts.
  - 11.** Develop scoring systems to promote objective decisions.
- D.** Examine card types and payment options.
  - 1.** Supplier options
    - a.** An exclusive or preferred agreement with a supplier for a single reporting solution
    - b.** An agreement with one primary supplier that includes multiple card and payment solutions
    - c.** An agreement with a primary supplier and an account with a separate card provider for a particular service: For example, a master number all employees use for air travel but without plastic cards (i.e. ghost cards/direct bill) or single-use accounts, and another for hotel and car bookings, emergencies and ticket changes en route. Ghost cards can present tracking and policy compliance and should be reviewed carefully.
    - d.** Using a central travel solution for air tickets can facilitate ticket reissue and credit tracking and simplify charge allocation
  - e.** Diverse agreements with multiple suppliers: Organizational divisions with different cultures might need different card programs, though treasury departments often desire consolidated banking relationships to better leverage currency exchange fees and overall costs.
- 2.** Billing and payment options
  - a.** Central billing and payment: The organization pays the approved business expenses to the card company on the employees' behalf. The organization receives a statement consolidating individual cardholder charges, assuring suppliers receive timely payment and allowing organizations greater float. Individual cardholders should not be liable.
  - b.** Individual billing and payment: Each traveler receives a monthly statement, pays the bill and puts charges on expense reports for reimbursement. While this option may reduce corporate administrative activity, it may cost the organization rebates if cardholders pay late. Individual liability is likely.
  - c.** Individual billing with centralized payment: Each traveler receives a statement, but the organization pays the bill based on approved expense reports. This improves float.
  - d.** Individual corporate cards with strip billing and payment: Organizations can request all air, hotel, phone or other categories be stripped from individual bills for central pay. Card companies get paid more quickly this way, potentially benefiting customer rebates, but organizations also need to weigh reconciliation costs. Individual liability for cardholders is likely.
  - e.** Cardless central air travel purchases: Bills go to the corporation for central account charges, and individuals for all non-air card spending. This drives air booking through the designated travel agency and reduces employee liability for large debt. Reconciliation is more compli-



cated and expensive.

- f. Temporary cards: Includes cards for trainees or visitors, prepaid or stored-value cards, budget or declining balance cards, single-use cards, specific date ranges, meeting cards, and cards acceptable only with specific merchants.
  - g. Payment settlement: Suppliers continue to accept checks for individual payments, but more individual and all corporate payments are now electronic. Companies must determine how to balance rebates and payment management.
3. Billing formats and data feeds: Advise suppliers if your organization has requirements for statement formats, billing cycles or data feeds to enterprise resource planning, general ledger or other systems to ensure compatibility.
- E. Some card issuers offer their own expense reporting tool or maintain alliances with other third parties. All major card suppliers can send data directly to any expense reporting system. Consider:
1. The total cost of the expense reporting tool versus the expected ROI. The total cost of ownership should be based on supplier fees, implementation and training costs, and ongoing management, support and infrastructure costs.
  2. If your organization works with a data provider that also offers expense reporting tools (including SAP, Oracle and others).
  3. Hosting the expense tool behind your firewall versus the software-as-a-service model. Consider data ownership and privacy issues, in-house information technology and account support and costs.
  4. Is the supplier tool compatible with your existing infrastructure and can it interface with such related internal or external business systems as accounts payable, auditing, general ledger, HR and payroll?
  5. Who will administer and pay for reprogramming the tool to interface with the corporate accounting system, accept card data downloads and align with policy?
  6. Who will implement the tool, send out and communicate the changes, facilitate training and provide ongoing support? What is the supplier's standard implementation timeframe? Implementation in a multi-location organization can be complex and costly.
  7. Does the system offer prepopulation of expense reports with corporate card data? If so, is the data prepopulated frequently and accurately? Is prepopulation limited to standard card data or can it integrate such additional data as hotel folio details, taxes, fees, and car rental and airline ancillary items?
  8. How easy is it for cardholders to review card charges, add details and required documentation and submit? Can there be more than one approver or layers of approvers to speed payment?
  9. Are the automated audits and policy controls sufficient or must you use other external systems? Can the tool automatically flag and identify expenses for value-added tax reclaim and group expenses according to accounting codes?
  10. Does the tool provide mobile functionality to create, view, submit and approve expense items or reports via mobile phone?
  11. Does the tool offer receipt imaging, archiving or other services?
  12. Does the tool automatically convert foreign currency transactions? Does the supplier levy fees for those transactions?
  13. Can the tool provide management reports at the same level of detail as the expense report?
  14. Can the provider establish customized policy compliance rules and controls within the enterprise reporting system?
  15. Can the tool evaluate bookings versus actual expenses, and can the issuer work with the preferred travel agency for booked to billed reports? Ask for real-time demonstrations of this function or check client references carefully.
  16. Can the tool be used for expenses beyond travel, including purchasing card, fleet or small-dollar purchases? Can the tool accept feeds from more than one card issuer?
  17. Can direct-bill programs be integrated to show company-paid expenses instead of individual-paid?
- F. Loyalty program tie-ins: Some card programs offer their own rewards programs or tie-ins to those offered by other suppliers. These can work with or against policy and may impact rebate potential (cash-in points often are deducted from your rebate).
- G. Restaurant rebates and hotel or other discounts can be achieved through special programs offered by some card provider programs, especially those aimed at small and midsize accounts. Other discounts and perks may be provided with executive cards.
- H. Related spending programs
1. Procurement cards (also called purchasing cards or p-cards): Most T&E card providers also offer card programs for corporate purchasing. Buyers can benefit from consolidating spending with the same provider and, in many cases, achieve commonalities in card set up, access controls and reporting. But procurement cards may have different requirements for taxes, process reengineering, back-end data integration and data capture. T&E cards generally capture basic data with air segment detail, while purchasing cards also capture point-of-sale data, such as sales tax or product codes. Look at approval and reconciliation processes for T&E and purchasing cards for opportunities to improve or combine processes and data flows. If multiple card platforms are being considered, ask the supplier if all spend will be combined to calculate a single rebate or if there will be separate rebate programs.
  2. Meeting cards: Organizations may provide meeting cards primarily to corporate meeting planners to help track expenses, ensure compliance with preferred hotels and other suppliers, leverage volume to improve supplier negotiations, reduce the need for written checks and ensure proper expense allocation. Billing data can be integrated into a meetings management system, driving automated reconciliation and more robust reporting.



3. A one-card solution: Some issuers offer travel and entertainment, procurement and fleet—or any combination—on a single platform. Examine employee usage to determine any benefit to such a combination and understand the reporting distinctions offered by the supplier. Consider the amount of overlap of employees who would be issued both purchasing and T&E cards. If significant, a one-card solution may be useful. If not, issuing both types of cards would provide more flexibility on liability, billing and payment options
4. Fleet cards capture enhanced data at the point of sale, enabling managers to monitor fleet efficiency. Fleet cards can be assigned to a vehicle or a driver, reduce misuse/ unauthorized fueling and provide reporting on mileage, miles per gallon, grade of fuel and other data vehicle and driver data.
5. Prepaid cards can be used for infrequent travelers, contractors, job candidates, clients and others.
6. Single-use accounts allow organizations to pay via a card program but control the amount, date, merchant and more. Organizations have found the ability to instantly generate an account number and set the controls useful to pay hotel room night or meeting expenses or pay travel expenses and collect necessary data for contractors, recruits, nonemployees or infrequent travelers. Embedded in an airline record, the 16-digit account number becomes a unique identifier for reporting.
7. Debit card options have emerged in Europe as a means to avoid airline fees on credit cards. Debit cards have greater risk of liability than charge cards.
8. Card providers and banks are beginning to offer virtual cards, also referred to as a mobile wallet, which allow users to pay for T&E transactions using a smartphone and a unique number. A virtual card can be a single-use digital card specifying a transaction amount limit, merchant and number of uses. The cards are useful for employees who do not travel frequently

- I. Consider your purposes in using card-generated management information to help determine:
  1. How is information broken down?
    - a. By spending categories and specific suppliers
    - b. By activities
    - c. By organizational levels and units
    - d. By geography, language, culture and currency
    - e. By industry and market
  2. How many sources of data are integrated into the reporting (e.g. card, hotel folio, booked data, etc.)?
  3. Who needs access to information and how will they receive it? Do you need to interface data to one or multiple general ledgers?
  4. What is the frequency of reporting data (how often are data downloaded into an expense reporting system)?
  5. What are the capabilities for electronic data transmission and report generation?
- J. Size and scope of a program
  1. How many cards will you issue, broken out by country?
  2. On what basis will cards be issued: frequency of travel, employee type/ title, number of expense reports or expenditures?
  3. Do you want to provide to some travelers executive-level cards, airport lounge access and concierge services? A limited top group of senior officials can generate added supplier costs.
  4. Will you limit card use to business expenses or let employees charge personal expenses? If so, how will employees report and pay for personal expenses? Do your employees have a delinquency history?
  5. For individual liability programs, determine organization policy and procedures for employees denied cards by the supplier.
    - a. Will the organization guarantee payment for those cardholders refused credit cards? Can a prepaid card be issued? Will the organization provide denied applicants with other payment methods?
    - b. Will the organization support employees who exceed credit lines? Is there a process in place

to increase credit lines on an as-needed basis?

6. Determine a policy on delinquency and late fee reimbursement, and align this to your organization's T&E reimbursement and submission deadlines. Will the employee be liable for late fees? Set guidelines and a notification process to suspend or terminate cards.
7. Set restrictions on maximum amount per transaction, frequency and ATM use for cash advances.

### III. SUPPLIER SELECTION

- A. Identify providers who can meet your needs and those with which your organization has established banking relationships.
- B. Does your organization do business with a card provider in other areas (human resources, fleet, purchasing card, etc.)? If so, secure intra-organizational assistance to drive down costs or increase payment incentives based on pooled volume.
- C. Some travel agencies are aligned with or owned by credit card providers.
  1. Coordinated management reporting. Match TMC and card supplier data to more quickly spot discrepancies in travel reservations and actual spend.
  2. There may be some advantages in implementation and coordination in situations where travel agencies have established relationships with card suppliers.
  3. There may be negotiating leverage in bringing card and travel business to organizations that are partners.
- D. Issue a formal request for proposal or a less-structured request for information to learn of card supplier offerings.
  1. This process may require a pre-determination of qualified suppliers and possibly a pre-bid conference.
  2. Assemble a team of representatives from financial, travel, human resources, accounting and legal.
  3. After drafting a set of focused questions with which to qualify and differentiate provider respondents, consider creating a format or using an automated sourcing tool through which suppliers must submit bids and specifications to help compare financial arrangements and



services. Such tools enable a greater number of suppliers to participate in the sourcing process with virtually no additional effort.

4. Consider a list of minimum contract terms and conditions.
- E. Ask bidders for references from organizations similar to yours and check with non-cited accounts identified through industry sources because bidders always offer up their most loyal customers. Also attempt to identify and contact accounts that bidders lost.
- F. Reporting capabilities
  1. Which reports are standard, and what is required to receive customized reports? How are ad hoc requests handled and priced?
  2. How many hotel chain, property and spending category folio level details are provided?
  3. Does the card capture data on air trips with more than four legs?
  4. How are air ticket refunds tracked

and credited?

5. How many fields are available on card reports and how many characters are allowed per field? How much flexibility exists for customizing the available fields?
6. How are ancillary airline fees tracked and reported? Does the supplier use any third-party data or analysis to better identify such fees?
7. Can you build a hierarchy for issuing reports, allowing some executives/business units to get summaries and others to get specific, detailed reports for their departments? Do the reports provide drill-down capabilities?
8. To spot trends and developing problems, which prior-period comparisons are provided?
9. Does the supplier provide performance benchmarks? Can you benchmark your spend to that of other companies in the same

industry or of a similar size? Such information can improve negotiating leverage with other suppliers.

10. What is the reporting frequency and the time from close of billing to report?
11. What is the turnaround time and fee for the supplier to produce a customized report?
12. In which local languages and currencies are reports provided? Can the reporting be rolled up to provide a consolidated, global view?
13. Is the data captured and integrated centrally across T&E spending data sources?
14. How long is data stored? What is the back-up process?
15. How often is the data reporting system updated?
16. Do reports meet travel and purchasing requirements?
- G. Consider data access. As an alternative to paper reports and statements,

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most suppliers provide online access to reporting and query tools. To create your own reports with supplier-provided software, consider:

1. The cost of such capabilities
  2. Frequency of account data updates
  3. Does the software help create ad hoc reports, charts, tables and graphs? Can it transfer files into programs for communication and writing reports?
  4. Will an administrator on the organization's side require training? If so, what is the timeline? Is the training individualized or generic? Will support be guaranteed?
  5. Request samples of standardized and customized management reports from actual accounts.
  6. Can the data interface to your general ledger, expense, procurement or other systems?
  7. Can you split cost allocations?
- H. Data security:** How will data encryption be managed? Who will have access to the files? To what extent will you allow the card company to use your spending data for internal marketing and forecasting? How many employees in your organization will have access to secure modes of data transmission between the organization and card provider? Develop an understanding of the security and redundancies of the card issuer with respect to their data facilities.
- I. Billing policies and practices**
1. Procedures
    - a. What are the billing cycles (daily, weekly, monthly, bi-monthly or quarterly), and how closely can billing coincide with accounting cycles?
    - b. Are statements available online?
    - c. Can statements be customized?
    - d. What is the method and cost for converting charges made in foreign currency? Card companies charge currency conversion fees that range between 1 percent and 3 percent of the transaction cost. While such fees have been increasing for basic cardholders, they typically are less costly than converting cash in foreign countries. ATM withdrawals also incur their own currency conversion fees. Do not accept auto-

matic fee increases during the contract period without advance notice and explanation.

2. Account reconciliation
  - a. Does the card supplier assist in reconciling central air billings with tickets actually used? Can it reconcile travel agency data with billings?
  - b. Is enhanced data passed from the issuer to facilitate reconciliation? Is it automated or manual? What is the match rate?
3. Dispute avoidance and resolution. How user-friendly is the supplier process for disputed charges and is there suspension during investigation of disputes, and for how long?
  - a. How does the supplier check statement accuracy?
  - b. What are the procedures for reporting and tracking disputed charges? Can you resolve a transaction dispute online?
  - c. How are delinquent accounts, suspensions and cancellations handled?
  - d. Does the supplier provide delinquent payment reports on outstanding charges after giving employees 30 to 45 days to pay their bills? Will overdue accounts be canceled automatically? Will there be a penalty if payment is not made by a specific timeframe?
- J. Liability provisions:** Responsibility for fraud, misuse and employee delinquency is critical for suppliers and client organizations. Suppliers usually have policies to address them, yet seek clients' help in minimizing exposure. Agreements should cover:
  1. Exemption for the organization from liability for purchases made with lost or stolen charge cards
  2. Exemption from liability for charges after the organization notifies the card issuer of employee termination. A maximum period of liability after employee terminations or departures should be negotiated for charges before the card is returned and cancelled.
  3. The roles of the supplier and client in dealing with delinquencies
  4. Whether liability provisions vary by country

5. Whether the card issuer offers optional insurance to protect the organization against employees' unauthorized use of the card
  6. How losses will affect rebates
- K. Fraud prevention:** What controls are in place? Does the supplier have fraud insurance coverage? Who is responsible for covering the cost of fraudulent purchases? Define controls and establishment of spend patterns at the beginning of a program. Note executive travel patterns and countries visited, as they often get flagged in the beginning of a program. What type of effort will the card supplier make to investigate and resolve issues?
- L. Spending limits:**
1. Can limits be varied by cardholder, rank, division or travel frequency?
  2. If limits are used, are they monthly or rolling? If rolling, what is the time frame?
  3. Can they be varied by type of merchant, so an organization can cap or block spending with some retailers?
- M. Cash services and management**
1. Decide whether to provide cash access to selected travelers, all travelers or on an as-needed basis
    - a. Locations of automated teller machines and issuer offices in relation to business destinations
    - b. Cash-dispensing and currency-conversion fees
    - c. Varying limits on the number and amount of cash advances by cardholder, rank or place in the firm?
    - d. Cash advance reporting
    - e. Funding and payment processes
  2. Some card issuers offer convenience or courtesy checks that can be used like cash; amounts are billed with card charges.
  3. Reimbursement: Some providers offer direct-deposit reimbursement to cover travelers' out-of-pocket expenditures, reducing cash-related administration processes.
- N. Rental car insurance:** Most charge card programs provide supplemental rental car insurance coverage, but the terms vary. Consider:
1. What level of car rental insurance is provided—collision or loss damage waiver?
  2. Is the insurance primary or sec-



- ondary coverage? Secondary coverage kicks in only after exhausting the rental agency's or employer's insurance.
3. What is the limit on a claim, the maximum rental period covered and the type of vehicle? Some policies exclude vans.
  4. Are there age coverage limits?
  5. Eliminate coverage that is redundant with corporate coverage.
  6. How will coverage and liability vary by country?
- O. Air travel/accidental death and dismemberment insurance:** Some coverage is standard, but program details differ. Ask:
1. Is coverage door-to-door or only while airborne? Does it apply only when travel is via common carrier? Does it cover terrorism? Does it cover personal travel purchased using the corporate card? Does it cover unforeseen emergencies?
  2. Does it cover travel expenses, injuries or deaths that result from accidents or "Acts of God" during travel? Compare card base versus corporate coverage to see how to handle acts of war or terrorism.
  3. Are other types of insurance offered, such as:
    - a. Lost or delayed baggage and airline default
    - b. Hotel burglary or medical evacuation coverage
  4. How does coverage vary by country?
- P. Emergency services:** Inquire about referrals for local doctors and lawyers, lost passport, driver and financial assistance.
- Q. Trip-planning and follow-up offerings**
1. Destination information
  2. Service provider discounts
  3. Visa and customs regulations
  4. Track and reclaim value-added tax
- R. Executive card features:** Although premier level cards have higher annual fees, prudent distribution of these cards can be a good value. Features can include 24/7 VIP customer service, airport lounge access, free international airline companion tickets, leisure travel booking assistance, increased insurance coverage and delivery services for baggage checked on airlines.
- S. Supplier background**
1. Cards issued, management team experience, growth rate
  2. Charge card history, related businesses and financial results
  3. Organization and infrastructure
  4. Multinational support
  5. Current financial strength
  6. Related and complementary products, including other payment products, automated sourcing, contract management and spending management solutions.
  7. Experience training for the account management team that would be assigned to your corporation.
  8. Ongoing support and consulting for card program expansion
  9. Capabilities as a provider for payment reporting tools
  10. Describe the credit check process for employee cardholders and whether it will impact individuals' credit.
- T. Acceptance:** Suppliers compete aggressively on these numbers, so make sure figures are meaningful.
1. Number of merchants honoring the card by business category and region and explain how the provider calculates acceptance numbers.
  2. Would issuer be willing to do an "acceptance match" for all of the organization's top merchants? How is this kept current during the contract period? Since most card suppliers promise full acceptance, there should be no special charge of fee for extending this to key merchants not already in the card bidder's program. However, it may not be feasible to add smaller merchants, especially in some foreign countries.
  3. Assess acceptance and the merchant fees for the type of card you will be using. Most airlines, hotels and car rental firms accept every corporate card, but merchant fees can vary. T&E cards differ by restaurant and retail merchant acceptance. There are vast differences for procurement cards.
  4. Are any merchant fees passed on to cardholders? This is not typical for airlines, but in some locations this is becoming an issue as the travel management company passes the fee back to the client organization.
- 5. Does the card issuer have a dedicated internal group or an alliance with an external company to initiate card acceptance for key suppliers without it?**
- U. Evaluate global support capabilities**
1. Does the card issuer work with banks in various countries to issue cards in local currencies and consolidate data?
  2. Is there a single point of contact for customer service, with regional or local contacts in multiple countries but with one global manager in your organization's headquarters country?
- V. Evaluate both immediate and long-term supplier support for strategic and mechanical matters. This includes:**
1. Implementation
    - a. How long will it take to launch? Get a timeline from the supplier.
    - b. What is the enrollment process? Can cards be distributed from a list from human resources or must each employee complete and sign an application?
    - c. Will cards be mailed directly to employees or sent to one centralized contact for distribution?
    - d. What training materials and resources will be provided? Does the supplier's software have built-in help documentation for reference?
    - e. Will the supplier monitor the launch and field questions?
    - f. Can the card company ensure success of the launch? Consider a key performance indicator for implementation and contracted service levels with incentives and penalties.
  2. Account management
    - a. Will there be one or more individuals dedicated to your account? If not, how much time will support personnel allocate? Confirm the experience of your selected team, and the average length of service provided to a client. How many clients will that person handle?
    - b. Confirm your executive sponsor at the supplier.
    - c. Is there an implementation team? To whom would you escalate



issues during the implementation, if necessary? What are the standard response times during implementation?

- d. When and how will your account be transferred from launch to the ongoing relationship management team?
  - e. What are the supplier's procedures for measuring satisfaction, troubleshooting and problem resolution?
3. Card administration
- a. Will the organization have dedicated service, even if you select more than one supplier?
  - b. Can you apply for cards, terminate accounts, change addresses and perform other account maintenance online in real time?
  - c. Is there a 24-hour worldwide number to report lost or stolen cards? What are provisions for replacing them? How long does it take to issue a replacement? Are there options to expedite replacements in case of emergencies? Set a performance metric in this area and report it monthly.
  - d. At what point before expiration dates will employees receive a replacement card?
4. Merchant support: What are the processes for converting merchants?
5. Will the selected supplier provide transitional services at the end of the agreement? Will they accept contract provisions guaranteeing the transition?

#### IV. MAKING A DEAL

When negotiating, remember that a charge card supplier is most motivated to control the variables of funding and card issuance costs, and credit losses, but also is interested in float and how quickly you'll pay your bill.

##### A. Fees

1. Many commercial card suppliers do not charge annual fees, even for smaller corporate customers with annual air spending as low as \$1 million, but they usually charge fees associated with mileage loyalty programs and elite member privileges and rush card applications.
  2. A supplier may waive fees for a smaller account if the corporation is willing to assume liability for all employee charges, if the organization has a good credit history, has other mandated card programs with low client-held days, banking relationships with the supplier or if it is located where the supplier wants to build market share.
3. Other fees to define:
- a. Penalty charges, late fees and over-the-limit charges: Are these assessed monthly or applied to every charge made over the limit?
  - b. Fees for such services as cash advances from automated teller machines, loyalty programs, management reporting, foreign exchange, reconciliation and daily expense reporting
- B. Signing bonus/rebates: To be competitive, a card supplier sometimes offers a signing bonus or rebate for organizations with annual spend on their commercial card programs measuring in the millions. Many issuers require a three-year contract, while five-year agreements are not uncommon.
1. Rebates are tied to the organization's annual card spend, payment terms, speed of pay (client-held days), average transaction size, losses, whether a loyalty program is part of the requirements (some suppliers deduct from the rebate when employees cash in loyalty points) and other performance factors, including credit performance.
  2. The corporate commitment to get employees to pay on time affects rebate negotiations.
  3. Typically, rebates vary in terms of basis points of the organization's volume, but for large spenders can be significant. Rebates typically are paid annually, but sometimes may be paid quarterly or monthly. Confirm any large ticket exemptions to rebate calculations. Maximizing float sometimes can be more cost-effective than securing a rebate.
  4. Ask the supplier to define rebate calculation structure, performance factors and payment schedule.
  5. Ask the supplier to provide support documentation for all of their rebate reductions, including bad debt and frequent traveler program charges.

6. The economics of the merchant system differ in various parts of the world. If you are issuing cards globally, funds available for rebate will vary considerably, with the United States as the highest rebate area and regions such as EMEA less so. Be aware of that when reviewing proposals for a global program. Issuers could propose a blended rate or rate by region.
- C. Ask the supplier to demonstrate how the program would save money. Provide information on costs for such functions as cash advances and expense report accounting.
- D. Specify contract length, study limitations and responsibilities. Spell out specific implementation and service requirements for legal review.
- E. Some corporate payment system suppliers will incorporate the organization's logos, imprinted organization/business unit name or co-branding on the actual card face. However, putting the organization name on corporate cards identifies them and risks fraudulent activity.

#### V. IMPLEMENTATION

Communicate with your corporate travelers in advance of rolling out a card program. Be ready for their questions.

- A. Plan to roll out the program in manageable pieces. Determine the unit most ready to adopt the card.
- B. Design an implementation and communication plan and announce the new payment program in advance of the date that the cards are activated. Send reminders. Back it up with a memo from a senior sponsor.
  1. Sell the program in terms of convenience and service benefits.
  2. Communicate policies governing the use of the card and specify how violations will be handled.
  3. Get cards into travelers' hands just before cards are activated.
  4. Schedule a followup employee training session around the time that monthly bills arrive.

*Prepared by JoAnn DeLuna with assistance from Bank of America head of global card and comprehensive payables Kevin Phalen and Goodman Networks director of corporate travel Karen Hatch. 🌐*



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# Evaluating Corporate Travel Technology



**SUCCESSFUL TRAVEL PROGRAMS** must effectively deploy technology. While company culture and strategic objectives help determine which pieces of technology are most important, some common components are used by program managers and/or their appointed travel management companies. Some of these are traveler-facing—online booking tools, for example—while others operate behind the scenes.

Meanwhile, given the near ubiquity of mobile devices among business travelers, travel management professionals must reconcile how to promote or at least manage travel empowerment. That means understanding how travelers use mobile technology for travel-related tasks and incorporating such technology into the wider travel program. The following pages explain the common travel technologies deployed by program managers, their interconnectedness, their benefits and their challenges.

## I. STRATEGIC PLANNING

Align the deployment of travel technology with your company's goals and objectives.

- A.** Begin developing a travel technology strategy by identifying and examining areas in which your company can realize the greatest service-level and financial gains. Benchmark your operation against best-in-class organizations. Once discrepancies are identified, create action plans. Consider the organization's readiness to promote and enforce travelers' and travel arrangers' use of technology, how travel fits with corporate IT strategies, costs and estimated return on investment, the availability of IT support and senior management interest. Including major stakeholders from the earliest stages improves the process and helps earn support. It particularly is helpful to involve IT in testing new systems. Be sure IT understands the level of involvement; when products need very little IT support, your project may be scheduled earlier.
- B.** Determine if technology is already available within your organization that could already capture travel data.
- C.** Security concerns preclude some companies from linking networks with such outside organizations as travel management companies, and some companies have strong firewalls that inhibit linking to outside systems. Anticipate internal firewall and data access restrictions and requirements. Determine the compatibility of external systems

with existing internal systems.

- D.** Consider including divisions or subsidiaries in other countries, and support technology and users in multiple languages. Ensure that you are aware of and in compliance with local data privacy laws.
- E.** Don't automate needlessly. Make sure the return is obvious and probable. This may be an important consideration for countries in your program that may not be capable of supporting the technology and/or may not have sufficient volume to justify the required investment.

## II. MOBILE

- A.** Employees increasingly are buying and using their own software and hardware for business. Travel applications are especially popular in mobile app stores. Suppliers, travel management companies and travel departments are using personal tools to track reservations and itineraries, facilitate check-in, communicate delays or last-minute changes and rebook flights, hotel rooms and car rentals.
- B.** An obvious place to look for mobile solutions is with existing suppliers, such as travel management companies and providers of online booking tools and expense management systems. Products may be free or bundled into the cost of an existing approved solution, but even for the latter, IT department collaboration may be required for access to these programs and apps.
- C.** Some travel departments have employed developers to build internal travel apps, such as mobile hotel directories and local destination guides.
- D.** Consider harnessing mobile apps for policy reminders and alerts as part of an overall travel management communications strategy.
- E.** Explore time-saving functions like mobile pre-trip authorization or expense report approval. Use mid-office quality control tools to determine which transactions do not need manual aspects of pre-approval.
- F.** Don't get caught up in offering too many apps. Focus on the most important functions for your travelers.



### III. ONLINE BOOKING TOOLS

Online booking tools can reduce travel-processing costs in several ways.

- A.** Most corporations pay their TMCs less for facilitating automated reservations than for traditional transactions that involve agent interaction, thus cutting the cost of the booking process. Online bookings typically are divided into completely unassisted transactions, which are fully automated (and incur the lowest cost), those with limited agent intervention and fully assisted transactions, which carry higher fees.
- B.** Automated fulfillment (ticketing and quality control processes) can allow corporations and their contracted TMCs to handle more volume with the same headcount, although non-automated transactions—often related to international, multi-leg and “open-jaw” itineraries—are more complex and require more time and expertise.
- C.** Online tools offer policy controls and preferred supplier management that client organizations can configure.
- D.** When evaluating how widely to deploy tools that obtain travel data and make bookings, consider:
  - 1.** Easy access: If the company culture encourages self-sufficiency, giving everyone access to the reservation system should improve efficiency by reducing or eliminating direct telephone contact with travel agents. This includes access via mobile devices. But consider end users. Senior executives (and/or their executive assistants) initially may resist online booking, for example.
  - 2.** Policy mandates: Companies that drive the highest adoption rates sometimes have some form of mandate in place. Policy mandates can be full or partial, with some including specific language to book, for example, all domestic trips online, while others mandate such bookings only for simple roundtrips or for specific city pairs. Some companies have cultures that are not conducive to mandates but effectively can drive compliance through well-communicated travel policies that are strongly encouraged by management.
  - 3.** Fee differential as incentive: Some companies that charge different per-transaction fees based on the form of booking at the point of sale have achieved high levels of adoption without a mandate. Often, the fee for a telephone booking with an agent is at least twice as high as the fee for an online booking. Charging higher fees for online transactions requiring human intervention also can prompt travelers to strive for unassisted transactions.
  - 4.** Reduced level of live-agent service: When there is no cost impact, some travelers will use a live agent if given the option. Some companies mandate the online system for all travelers for certain types of bookings and use agents only for more complex bookings, including international ones.
  - 5.** Senior-level buy-in: High-level support from a senior executive, preferably the CEO or CFO, can be helpful if not essential.
  - 6.** Pilot groups: Some companies proceed methodically after beginning technology implementations with a small, controlled group of users, often the most technologically aware and/or the most frequent travelers. Other companies may endeavor to roll out a system companywide within three months.
  - 7.** Some online tools offer online/off-line functionality, where all reservations—regardless of complexity—start in the online tool. A rules engine determines which reservations are eligible for online booking and which should be handled by an agent. Offline reservations are provided to agents in a structured format, easing the booking process.
- E.** Online booking systems either contain or can tie into separate pre-trip approval systems, allowing additional methods of controlling costs and tracking travelers. Some systems use passive approval, or pre-trip notification, rather than active approval, or pre-trip authorization, to avoid unnecessary bottlenecks. Other systems provide comprehensive pre-trip authorization processes that work with existing ERP systems and workflows.
- F.** Considerations
  - 1.** Determine which bookings are

eligible and ineligible for online booking. For many companies, 100 percent of all domestic bookings with four legs or less are eligible, as well as all simple, roundtrip international itineraries. Focus on increasing the number of the eligible bookings.

- 2.** Determine user expectations. Is the speed and user interface of the self-booking tool in line with traveler expectations? Consumer products that are more adaptive and have different functionality can create challenges in meeting expectations and traveler frustration with corporate tools. Corporate online tools generally are behind the leisure market in terms of usability and design.
- 3.** Can the self-booking tool access and consolidate inventory from GDS and non-GDS sources, and support direct supplier connections? How does the online booking system manage unused ticket credits, changes and exchanges?
- 4.** Is the travel management company contract based on a shared-cost configuration or another arrangement under which savings generated by the use of online booking systems are passed on? If planning rapid migration to online booking, a fully loaded transaction-fee relationship with a TMC allows you more quickly to take out costs on the traditional full-service side. Make sure the TMC plays a role in increasing online adoption.
- 5.** Identify customer support services provided by technology providers. Will customer service be provided by in-house IT, the technology provider or the TMC?
- 6.** Determine who will own, license or control the technology—the TMC or the corporation. There are several considerations when assessing a direct contract with the technology provider versus using a tool via a TMC's reseller agreement. This area can have significant cost and service implications over time.

### IV. TRAVEL DATA REPORTING

Travel management companies and independent suppliers offer the means for clients to produce management reports



that conventionally form the basis of supplier contract negotiations, travel policy development, risk management and budget forecasting. Pre-trip reports allow managers to take action before a trip has taken place.

**A.** Travel managers should require programs that let them produce standard reports and report-writing features to design custom reports. Advanced reporting tools provide more analytics, such as benchmarks to determine relevance to peer groups, trend analyses to determine the effectiveness of programs and recommendations to improve performance.

1. TMCs aggregate data from raw booking records that originally come from GDSs, online booking tools and internal accounting systems. Other travel data can come from airlines, hotels, car rental companies, ground transportation providers, itinerary aggregators, dining solutions providers and others. Some systems enable the user to merge supplier data with travel management company data. Card data and expense reporting feeds, meanwhile, provide additional insight and may be more effective depending on goals.
2. A number of third-party data consolidation services aggregate data from multiple TMCs and countries and provide corporations with management reports that can help identify market opportunities. However, data protection regulations vary by country, and data privacy remains hotly debated.
3. Some corporate intranets have standard online reporting tools to give managers actionable information. Most providers offer data dashboards optimized for tablets and other mobile devices that enable snapshot reports.
4. Seek suppliers that not only deliver travel information electronically in standard report formats, but also provide web-based ad hoc reports and expertise to build highly complex reports across multiple databases. Be sure to define "ad hoc," which should mean reporting that enables the users to pick and choose which data fields they want.

5. Reports are used not only by travel management departments but also by many other groups within a company, such as finance, human resources, safety and security, site services and purchasing. Rather than training many individuals to use the online reporting tool, pre-program certain reports and push them to budget-holders so they can track travel consumption as needed.

**B.** Considerations for handling your own management data reporting

1. Hardware and software costs: As is true for all automated services provided by a travel management company—even if hardware and software are provided as part of a total service package—the costs will be factored into your overall travel management company agreement. Also consider engaging a consultant or other third party.
2. Time and personnel resources
  - a. There will be an initial learning curve and a continuing investment in time to make effective use of the system, although graphics and point-and-click techniques for interaction should provide relative ease of use.
  - b. More than one person in the travel department must be able to work with the system. Consider information skills when staffing. Internal audits may benefit from direct access to the systems.
3. Consult with other companies of similar size regarding their experiences with reporting systems. Ask vendors to provide a list of all corporate customers. When buying any technology, references from trusted sources are critical.
4. Operating features
  - a. Don't take claims of the tools' user-friendliness at face value. Work with the system.
  - b. Consider what to do with the system's output and who will see it.
  - c. Evaluate reporting formats to ensure you can produce the figures you need. Ask if your travel management company can produce average figures for the same data points. If you need global data, find out if the system will enable you to compile it.

Ask if the system has integrated graphing; if not, you will need a separate graphics package.

- d. Ask questions about system maintenance and support, software updates and follow-up expenses.
5. Data integrity: The information you receive in reports only will be as good as the data that passes from reservation records into the accounting system. Investigate the accuracy of current reports and establish front-end procedures to produce the most reliable and comprehensive data. Work with your suppliers to score data accuracy for critical data elements. In this way, problem areas are highlighted, solutions can be developed and partnerships strengthened.

## V. EXPENSE REPORTING

Many companies have reported a quick return on investment from automated expense reporting. Cost savings appear relatively quickly and are easy to quantify. Automated expense management solutions enable corporations to feed expense information to accounting systems and maximize the benefits of corporate card programs. These solutions offer a variety of capabilities, including feeding booking and corporate card data into expense reports; routing, approvals and workflow; and reimbursing travelers via automatic funds transfer. Providers offer mobile software that collects entries and captures receipt images. The most advanced solutions also include robust analytics. Legal and regulatory requirements can make automated expense reporting systems, which have built-in audit controls, more attractive. Ideally, automated expense systems capture booking and credit card data and download it into prepopulated expense reports as the traveler incurs expenses. The traveler can make additions and corrections and forward the report to a manager through the corporate accounting system.

- A.** Typically, the finance organization originates the initiative to rework an expense accounting process, and the corporate travel manager is involved as a member of a cross-functional team seeking solutions. Travel manag-



ers and experts in accounting and information systems need to examine each expense system option to determine whether it meets the company's goals and objectives.

**B. Automating expense reporting can:**

1. Give companies more control over spending, especially for meals, travel and entertainment
2. Make it easier for travelers to accurately complete expense reports
3. Encourage corporate travelers to use online booking software or the corporate card to prepopulate expense reports
4. Cut the administrative cost of expense reimbursement processes
5. More efficiently and accurately post expenses to company general ledger and accounts payable systems
6. More efficiently and accurately track expenses by business area or billing code, and meet regulatory reporting requirements
7. Manage cash more effectively by reconciling expenses with advances issued by the company
8. Pay corporate card balances and reimburse travelers more efficiently
9. Route reports electronically for manager approval
10. Provide management information for the specific purposes of enhancing forecasting and travel supplier negotiating
11. Make receiptless processing possible for prepopulated corporate card items.
12. Provide comprehensive pre-trip travel authorization processes.

**C. Considerations**

1. How unique is your process for managing travel expenditures? Will you need customization, or at least the ability to configure the system in various ways? Does your company require integration with multiple corporate payment systems? Does your company require integration with multiple expense management systems in various countries? What about variety in policies requiring a complex configuration and/or integration with multiple systems?
2. Does your company have an enterprise resource planning system with a built-in module for travel expense management?

3. Would your online booking and management reporting solutions interact with a proposed electronic expense solution? How? Is there a really good reason to expend the significant effort needed to integrate expense reporting with other travel management technology, such as the online travel booking tool?
4. Can the system validate mission-critical company information? Many organizations rebill travel costs, and accurate accounting of cost center information, project codes or job numbers is vital to accurate client invoicing.

## VI. REMOTE CONFERENCING

Advancements, cost-savings potential and the proliferation of remote conferencing technology have prompted many firms to increase the use of external or internal systems. In addition to serving as a demand management tool that reduces wear and tear on travelers and achieves savings by making it possible to eliminate some travel, virtual meetings can increase productivity. Many consider internal meetings a natural candidate for remote conferencing while noting it may be less applicable for client or partner collaboration.

- A.** Dedicated remote conferencing technology usually is managed by IT departments, but travel decision-makers can promote its use and examine airline citypair and hotel data to determine the best locations for such installations. Integrating remote conference booking systems with the travel booking process can push travelers toward trip avoidance, especially if they otherwise must justify non-virtual choices.
- B.** Technology suppliers have services and products that fit many types of environments. It is commonplace for employees to have personal devices that enable quality videoconferencing worldwide at little or even no expense.

## VII. SOCIAL MEDIA

- A.** Social networking applications within corporate intranets, mobile software or booking tools can speed feedback on supplier performance and help spread the word about policies, new initiatives and travel alerts. The al-

ways-connected traveler and location-based technologies present opportunities to extend travel management communication by providing such destination data as recommendations from colleagues, preferred restaurants, activities and weather updates.

- B.** Caution should be a key consideration when implementing or utilizing social media in a corporate environment. They may negatively impact corporate security and/or create privacy issues. They may have impacts on the reputations of preferred suppliers and support for them. Yet, the proliferation of sites for travelers to search for travel options and opinions is taking a new turn as suppliers establish communications and commerce on social media, too. Facebook fan pages, for example, are expanding with engines and apps to support direct bookings. Many corporate travelers are searching these sites and suppliers are making it more tempting to eschew the preferred channel; offering a corporate version may help combat that.

## VIII. GLOBAL DISTRIBUTION SYSTEMS

Global distribution systems are the platforms on which most corporate travel bookings are made.

- A.** Global distribution systems provide real-time data about flight schedules, airfares and seat availability, and they process airline reservations. They provide availability and booking support for hotels, rental cars, trains, limousines and ancillary travel services.
- B.** GDSs store information on travelers' booked itineraries in the form of passenger name records, and they pass booking information to agency accounting systems.
- C.** They store passenger and corporate profile information that can be transferred automatically into reservation records.
- D.** Most GDS implementations are led by travel management companies, which may consider alternatives as certain suppliers seek ways to disintermediate the GDSs.
- E.** Online booking tool systems connect with GDSs to obtain inventory and allow for pricing and reservations.
- F.** Certain GDSs are better choices in



certain countries, partly due to available supplier content relevant to those countries. It is important to make an informed selection rather than deferring to the travel management company to select a system to which it is financially attracted.

#### IX. MID-OFFICE QUALITY CONTROL/WORKFLOW SYSTEMS

Once a travel reservation is made, quality control and fare-checking programs automatically review it to be sure the booking reflects the best available rate or fare and that the arrangements and essential reporting information are correct. Fundamentally, the filters and policy management embedded within your online booking tool should manage most of your travel policy requirements. These mid-office quality control programs are effective and utilized by most TMCs when fulfilling your bookings.

- A.** Usually such programs are provided in modules covering these major functions:
  1. **Quality control:** The tools review passenger name records for data consistency and required information such as charge card details.
  2. **Fare checking:** The tools repeatedly can scan global distribution systems to see if lower-price seats become available.
  3. **Trip improvements:** The tools enable waitlist clearance, seat checking and automated frequent flyer upgrades, and scan global distribution systems for preferable bookings.
  4. **Data collection and reporting:** Data from GDSs is gathered and transmitted to data intelligence platforms or other applications.
- B.** Quality control and fare checking are available from global distribution systems and as a service from other third parties. Booking systems vary in their file-finishing capabilities.
- C.** Third-party mid-office systems can be configured to apply separate tests and manage different workflows for on- and offline reservations based on any characteristic of the passenger name record, including traveler hierarchy, origin or destination. If used in an advanced fashion, this can be one of the most powerful tools at the reservation level

#### X. SUGGESTED QUESTIONS WHEN BUYING TECHNOLOGY

- A.** What is the technological and travel experience of the developer?
- B.** How well-funded is the travel technology supplier, and how likely is the supplier to continue to support you months and years from now?
- C.** What is the supplier's responsibility for support, maintenance and enhancements after the initial purchase?
- D.** Is training necessary? What training will the supplier offer travel managers and travelers?
- E.** Does the supplier invest in long-term system enhancements? How often are new releases of the system issued?
- F.** How many corporations have installed the system?
- G.** Will the supplier provide recent reference accounts? Can any reference accounts provide objective data that demonstrate a return on investment for the system?
- H.** Will you consider a system purchase, hosted service or software license?
- I.** How quickly will a purchase generate a return on investment for your company?
- J.** What are the timelines involved in testing and implementing the system?
- K.** Can the supplier implement, support and enhance a global product?
- L.** What mobile options are available?
- M.** How is customization generally handled? Is the sign-on process easy? Many IT departments insist on single-sign-on where possible, providing access to all company applications.
- N.** Is the system dependent on a specific equipment or programming language, such as Java, HTML or XML?
- O.** What are the data warehousing and data mining capabilities of the system? What are the supplier's confidentiality and indemnification provisions for the data and the technology? Who owns the data, you or the supplier? How well will the database integrate with your current information technology environment? How, how often and to where will data be backed up? Understand the duration for which your organization generally stores data.
- P.** Will the supplier let you test the product on a demonstration site?
- Q.** What about a free pilot to validate both the difficulty in implementing and in using the system?
- R.** Who provides level 1 and 2 support, and how extensive is each level?
- S.** For online booking tools:
  1. Is the system fast and easy to use for booking and trip retrieval?
  2. What content is offered? Are non-GDS suppliers integrated? What fees are applied when searching or booking non-GDS content?
  3. Does the tool provide the ability to synchronize online and offline profiles? How does the traveler profile management tool integrate with the GDS, online booking tool, and HR or ERP system?
  4. Can the tool facilitate an approval process? What happens if the primary approver does not respond within a reasonable period of time?
  5. How does the tool ensure data integrity and security?
  6. What online fulfillment operations and strategy are in place by region?
  7. What technical or navigational support is provided for travelers and in what languages?
  8. What is the cost for ongoing support after the implementation?
  9. Will the supplier be involved in prioritizing enhancements and changes to the system functionality?
  10. Can the technology help move share to preferred suppliers?
  11. Does the system generate a booking that is easily ticketed and touchless?
  12. Can the system support corporate discounts?
  13. In the case of an agency switch, will access to system data be available?
  14. Are mobile bookings and changes an option?
  15. What capabilities does the system offer to purchase unbundled airline services, such as preferred seating?
  16. Does the system automatically acquire bookings made through traditional channels?
  17. Which criteria can trigger a dynamic message to a user?
  18. Can the travel management company and developer provide sufficient support?

*Prepared by David Jonas with assistance from Grant Caplan of TCG Consulting and KesselRun Corporate Travel Solutions partner Karoline Mayr. 🌐*



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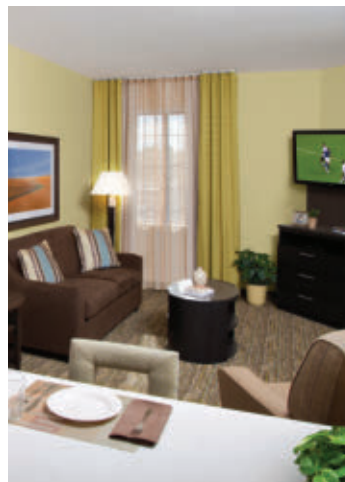
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